

**NETWORK 18 FINCAP LIMITED**

Our Company was incorporated as a private limited company on February 16, 1996 as SGA Finance and Management Services Private Limited under the Companies Act, 1956. The name of our Company was subsequently changed to Network 18 Fincap Private Limited on April 12, 2006. Our Company was converted into a public limited company on October 20, 2006 and the name was subsequently changed to Network 18 Fincap Limited.

Registered Office: 601, 6th Floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi 110 001. For details of changes in our registered office, see the section titled "History and Certain Corporate Matters" beginning on page 96 of this Draft Letter of Offer.

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**For Private Circulation To The Equity Shareholders Of The Company Only****DRAFT LETTER OF OFFER**

**ISSUE OF 1,02,82,251\* PARTLY CONVERTIBLE CUMULATIVE PREFERENCE SHARES OF RS. 200 EACH FOR CASH AT PAR AGGREGATING TO RS. 20,564.50\* LAKHS TO THE EQUITY SHAREHOLDERS ON A RIGHTS BASIS IN THE RATIO OF ONE (PARTLY CONVERTIBLE CUMULATIVE PREFERENCE SHARE) FOR EVERY FIVE EQUITY SHARES HELD AS ON THE RECORD DATE (HEREINAFTER DEFINED). THERE WILL BE ONE DETACHABLE WARRANT FOR EVERY PCCPS AND THE DETACHABLE WARRANT WILL BE ISSUED ON THE PCCPS BECOMING FULLY PAID UP ("ISSUE").**

*\* Up to an additional 28,420 PCCPS may be offered pursuant to allotment of up to 1,42,100 Equity Shares due to the vesting of employee stock options under Network 18 Employee-II Schemes. For details refer to the section titled "Capital Structure" beginning on page 57 of this Draft Letter of Offer.*

**GENERAL RISKS**

Investments in equity and equity related securities involves 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 securities 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 document. Investors are advised to refer to "Risk Factors" on page 7 of this Draft Letter of Offer before making an investment in this Issue.

**ISSUER'S ABSOLUTE RESPONSIBILITY**

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

**LISTING**

The securities being offered through this Draft Letter of Offer of the Company are listed on the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The Company has received "in-principle" approvals from BSE and the NSE for listing the securities being offered through this Draft Letter of Offer arising from this Issue vide letters dated [•] and [•] respectively. For the purpose of this Issue, the Designated Stock Exchange is [•].

**LEAD MANAGER TO THE ISSUE****REGISTRAR TO THE ISSUE****ICICI SECURITIES LIMITED**

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**ALANKIT ASSIGNMENTS LIMITED**

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**ISSUE PROGRAMME****ISSUE OPENS ON****LAST DATE FOR RECEIVING REQUEST FOR SPLIT APPLICATION FORMS****ISSUE CLOSURES ON**

[•]

[•]

[•]

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## DEFINITIONS AND ABBREVIATIONS

In this Draft Letter of Offer, the terms “we”, “us”, “our”, “the Company”, “our Company” “the Issuer” or “Network 18”, unless the context otherwise implies, refer to Network 18 Fincap Limited. All references to “Rs.” or “INR” refer to Rupees, the lawful currency of India, “USD” or “US\$” refer to the United States Dollar, the lawful currency of the United States of America, references to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. Any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

### General Term and Abbreviations

Term	Description
AS	Accounting Standard as issued by the Institute of Chartered Accountants of India
Auditor	Refers to G.S.Ahuja and Associates unless otherwise specified
Business Transfer Agreement	Business transfer agreement dated September 15, 2007, with MTV India to transfer the film business of the Company on a slump sale basis
“Board” or “Board of Directors”	Board of Directors of the Company which term shall include a committee thereof
BSE	Bombay Stock Exchange Limited
Capital or Share Capital	Share Capital of the Company
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, and any amendments thereto
Director(s)	Director(s) of our Company, unless otherwise specified
DP	Depository Participant
ECS	Electronic Clearing Services
EGM	Extraordinary General Meeting
EPS	Earnings per share
Equity Share(s) or Share(s)	means the Equity Share of our Company having a face value of Rs. 5 unless otherwise specified in the context thereof
Equity Shareholder	Means a holder of Equity Shares as on the Record Date
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FI’s	Financial Institutions
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws / regulations
Financial year / Fiscal year/Fiscal/FY	Period of twelve months ended March 31 of that particular year unless otherwise stated
GoI	Government of India
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
Indian GAAP	Generally Accepted Accounting Principles in India
IT Act	The Income-tax Act, 1961 and any amendments thereto
ITAT	Income Tax Appellate Tribunal
Memorandum or MoA or Memorandum of Association	Memorandum of Association of the Company
MTV India	A subsidiary of MTV Asia and an indirect subsidiary of Viacom Inc.
NAV	Net Asset Value
NBFC	Non-banking Financial Company
NRI(s)	Non Resident Indian(s)
NSE	National Stock Exchange of India Limited
NSDL	National Securities Depository Limited
OCB(s)	Overseas Corporate Bodies
p.a.	Per annum

<b>Term</b>	<b>Description</b>
P/E ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RoNW	Return on Net Worth
RoC	Registrar of Companies, NCT of Delhi and Haryana
Scheme	The Scheme of Arrangement between TV18, our Company and SGA News Limited approved by the High Court of Delhi dated July 20, 2006
SEBI	Securities and Exchange Board of India
SEBI Act, 1992	Securities and Exchange Board of India Act, 1992 and any amendments thereto
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 and any amendments in relation thereto
SGA News	SGA News Limited, a promoter group company having its registered office at 601, 6 <sup>th</sup> Floor, Commercial Tower, Hotel Le- Meridien, Raisina Road, New Delhi 110 001
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any amendments in relation thereto
TIFC	The Indian Film Company (Guernsey)
US GAAP	Generally Accepted Accounting Principles in the United States

#### **Issue Related Terms and Abbreviations**

<b>Term</b>	<b>Description</b>
Allottee	The successful Applicant to whom the PCCPs are issued pursuant to this Issue
Applicant	Any Equity Shareholder and/or Renouncee who makes an application pursuant to the terms of the Letter of Offer and the CAF
Bankers to the Issue	[●]
BK Holdings	BK Holdings Limited, a company incorporated under the Companies Act, 1956
CAF	Composite Application Form
Designated Stock Exchange	The designated stock exchange for the Issue, shall be [●]
Company, our Company, Network 18, Issuer	Network 18 Fincap Limited, a company incorporated under the Companies Act, 1956
Draft Letter of Offer	Draft letter of offer dated September 27, 2007 filed with the SEBI for its comments
GBN	Global Broadcast News Limited, a company incorporated under the Companies Act, 1956
Group	The Network 18 group including the Company, its principal subsidiaries, TV18, Setpro, Network 18 Holdings Limited and GBN and their subsidiaries.
I-sec	ICICI Securities Limited
Issue	Issue of 1,02,82,251 * PCCPS of Rs.200 each for cash at par aggregating to Rs. 20,564.50* lakhs to the equity shareholders on a rights basis in the ratio of one PCCPS for every five equity shares held as on the Record Date. There will be one Detachable Warrant for every PCCPS and the Detachable Warrant will be issued on the PCCPS becoming fully paid up <i>Up to an additional 28,420 PCCPS may be offered pursuant to allotment of up to 1,42,100 Equity Shares due to the vesting of employee stock options under Network 18 Employee-II Schemes. For details refer to the section titled "Capital Structure" beginning on page 57 of this Draft Letter of Offer.</i>
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Price	PCCPS of Rs. 200 each
Investor(s)	Shall mean Equity Shareholders and Renouncees
Lead Manager	I-sec
Letter of Offer /LOF	Letter of Offer dated [●] as filed with the Stock Exchanges after incorporating

<b>Term</b>	<b>Description</b>
	SEBI comments on the Draft Letter of Offer
PCCPS	Partly Convertible Cumulative Preference Shares
Promoter	Mr. Raghav Bahl
Record Date	[●]
Registrar to the Issue or Registrar	Alankit Assignments Limited
Renounees	Shall mean the persons who have acquired Rights Entitlements from Equity Shareholders
Rights Entitlement	Being one PCCPS for every five equity shares held as on the Record Date. There will be one Detachable Warrant for every PCCPS and the Detachable Warrant will be issued on the PCCPS becoming fully paid up
SAF(s)	Split Application Form (s)
Setpro	Setpro18 Distribution Private Limited (formerly known as Setpro Holdings Private Limited), a company incorporated under the Companies Act, 1956
Stock Exchange(s)	Shall refer to the BSE and NSE where the Shares of the Company are presently listed
TV 18	Television Eighteen India Limited, a company incorporated under the Companies Act, 1956
Detachable Warrant	Shall mean the detachable equity warrant issued by our Company pursuant to the Letter of Offer which are convertible into one Equity Share during the Warrant Exercise Period.
Warrant Exercise Application Form	Application form for conversion of the Detachable Warrant into an Equity Share during the Warrant Exercise Period
Warrant Exercise Period	Shall be the period commencing from 24 months from the date of allotment upto 48 months from the date of allotment

#### **Technical and Industry Related Terms and Abbreviations**

<b>Term</b>	<b>Description</b>
C&S	Cable and Satellite
CAS	Conditional Access System
CPRP	Cost Per Rating Point
DTH	Direct to Home Broadcasting
DVD	Digital Versatile Disc
FICCI	Federation of Indian Chambers of Commerce and Industry
MSO	Multi System Operator
NRS	National Readership Survey
IRS	Indian Readership Survey
SEC	Socio Economic Classification
TRAI	Telecom Regulatory Authority of India
TV	Television
VCD	Video Compact Disc

## **PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA**

Unless stated otherwise, the financial information used in this Draft Letter of Offer is derived from the Company's audited financial statements for the Financial years 2007, 2006, 2005, 2004 and 2003 prepared in accordance with Indian GAAP and the Companies Act and the annual financial statements have been restated in accordance with SEBI Guidelines, as stated in the report of the Auditors G S Ahuja and Associates included in this Draft Letter of Offer.

This Draft Letter of Offer also includes the Company's consolidated, audited financial statements for Financial years 2007, 2006, 2005, 2004 and 2003 as contained in the report of the Auditors G S Ahuja and Associates.

This Draft Letter of Offer also includes the audited restated financial statements of our Company's principal subsidiaries Television Eighteen India Limited, Global Broadcast News Limited, Setpro18 Distribution Private Limited and Network 18 Holdings Limited (Cayman Islands) for Financial years 2007, 2006, 2005, 2004 and 2003, as applicable, as contained in the reports of their respective Auditors.

Our fiscal year commences on April 1 and ends on March 31 of a particular year. Unless stated otherwise, references herein to a fiscal year (eg. fiscal 2007), is to the fiscal year ended March 31 of a particular year.

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

In this Draft Letter of Offer, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding off.

All references to "India" contained in this Draft Letter of Letter are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India.

Market and industry data used in this Draft Letter of Offer, has been obtained from industry publications and governmental sources. We have in this Draft Letter of Offer used data on the entertainment and media industry from *The Indian Entertainment and Media Industry*, FICCI PricewaterhouseCoopers, March 2007 ('FICCI-PWC Report 2007'); and *Bollywood - Emerging Business Trends and Growth Drivers*, FPGI Yes Bank, May 2005. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable and that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Draft Letter of Offer is reliable, it has not been independently verified.

## **FORWARD-LOOKING STATEMENTS**

We have included statements in this Draft Letter of Offer which contain words or phrases such as “will”, “aim”, “is likely to result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward looking statements”.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which our Company has its businesses and our ability to respond to them, our ability to successfully implement our strategy, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry.

For a further discussion of factors that could cause our actual results to differ, see sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Draft Letter of Offer respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the Lead Manager nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and Lead Manager will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

## **RISK FACTORS**

*An investment in equity and equity related securities involves a high degree of risk. You should carefully consider all of the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our equity shares could decline and you may lose all or part of your investment.*

*This Draft Letter of Offer also contains forward-looking statements that involve risks and uncertainties. Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Letter of Offer. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.*

*Prior to making an investment decision, you should carefully consider all the information contained in this Draft Letter of Offer, including the sections entitled "Our Business" and "Management's Discussion and Analysis" beginning on pages 85 and 279 of this Draft Letter of Offer as well as other financial information contained in this Draft Letter of Offer. You should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of the Equity Shares to fall significantly.*

### **INTERNAL RISK FACTORS**

1. ***We have a limited existence as a listed entity which may make it difficult for you to evaluate our business and prospects.***

While we have existed from 1996, our Company has only been listed on the BSE and the NSE as of February 2, 2007 pursuant to the scheme of arrangement our company had entered into with Television Eighteen India Limited and SGA News Limited, which was sanctioned by the Delhi High Court on July 20, 2006. As per the terms of scheme of arrangement and pursuant to the relaxation from Rule 19(2)(b) of the SCRR granted by SEBI, we filed an information memorandum dated January 5, 2007 with the SEBI and Stock Exchanges. We were not listed by way of a public offering of our securities. Hence, our Company has a limited market track record and as an investor you face the risk of investing in a Company by relying on market data and analysis derived from our recent market track record. For details on the Scheme, see sections titled "History and Certain Corporate Matters – Restructuring" beginning on page 96 of this Draft Letter of Offer.

2. ***Until the Company's audio and video content production and event management businesses generate revenue and becomes profitable, the Company will continue to remain dependent on the success of its investments, in order to be profitable.***

The Company was primarily an investment company, which had no significant business operations of its own and did not engage in any significant activities other than holding of investments in certain companies and mutual funds in India. We had recently forayed into the film business, for which we have entered into a Business Transfer Agreement to transfer the same to MTV Networks India Private Limited. Further, we have entered into new business segments of audio and video content production and event management. Until our audio and video content production and event management businesses generate revenue and become profitable, our ability to be profitable would remain dependent on the success of our investments and the dividends we receive from our investments. Certain of the Company's investments in the past have been loss making. Our profit after tax has been in the negative for one out of the last three financial years.

If the Company's investments do not generate the expected returns and our foray into the audio and video content production and event management business is not successful, it would have a material adverse effect on the Company's results of operations and its financial condition.

3. ***Our Company has reported net losses for the last five years***

We have reported net losses in the last five financial years. We cannot assure you that we will register profits in the near future. For details see section titled “Financial Statements” beginning on page 158 of the Draft Letter of Offer.

4. ***We have recently forayed into the event management business and intend to focus on the production of audio and video content for television and other media. Our Company does not have experience in these businesses. Our inexperience exposes us to the inherent risk of us being unable to compete effectively with our competitors who are more established in this industry.***

We have recently forayed into the event management business and intend to focus on the production of audio and video content for television and other media. We do not have any experience or expertise in the audio and video content production and event management business. Many of our competitors in the audio and video content production and event management industry have longer operating histories and significantly greater financial resources than we do. Our inexperience exposes us to the inherent risk of us being unable to compete effectively with our competitors who are more established in this industry. No assurance can be given that we will be able to anticipate and implement measures, in a timely manner, so as to improve on our market position and generate any revenue in these businesses.

Further, growing our audio and video content production and event management business will require capital and other resources, as well as management attention, which could place a burden on our resources and abilities. Our inability to adequately address these and other competitive pressures may result in a material adverse impact on our results of operations and financial condition.

5. ***In the event the programs produced by us are unsuccessful with audiences, our reputation, relationship with various channels, business prospects and our results of operations may be adversely affected.***

Our ability to successfully produce audio and video content depends primarily on its acceptance by the viewing audience, which is difficult to predict due to changing audience tastes and preferences.

In the event the programs produced by us in the sponsored model are unsuccessful with audiences, we may be unable to realise revenues from sale of commercial airtime to advertisers to meet the costs of production (including telecast fees) and marketing of the program, which may adversely affect the results of our operations.

In the event programs commissioned by various channels and produced by us are unsuccessful with audiences, our reputation and business prospects with various channels may suffer.

6. ***There may be a significant time lag between the incurring of costs and realisation of revenues from programs produced by us under the sponsored model of audio and video content production.***

In a sponsored model, we would incur upfront costs toward the production of a program including conceptualisation, creation of a content library and payment of telecast fees to the broadcasting channel for acquiring airtime. Additionally, we may have to incur marketing and publicity expenses for the program prior to its launch and broadcasting. However our revenues from sale of commercial airtime slots to various advertisers, except for pre-selling of airtime if any, are likely to be realised only after the launch of the program.

7. ***Our Company will be dependent on the studios, equipment and other infrastructure facilities and resources from the Group for its audio and video content production.***

Although, the Company proposes to utilize a part of its Issue proceeds towards office infrastructure and purchasing certain equipment for its audio and video content business, the Company proposes to utilize the studios, equipment, other infrastructure facilities and resources from the Group’s pool of infrastructure on a contractual basis. We anticipate that the Group’s pool of infrastructure will be sufficient for the Group’s requirements as well as the additional requirements of our audio and video content business.

However, in the event of rapid growth of the Group's other businesses and resultant pressure on its infrastructure pool, this infrastructure may be unavailable to us on a timely basis and may require us to lease infrastructure from third parties, and/or lead to delays, cost overruns and adversely affect our result of operations.

**8. *Our Company is restricted from directly participating in the motion picture pursuant to the terms of the Business Transfer Agreement***

Pursuant to the terms of the Business Transfer Agreement entered into between MTV Networks India Private Limited and our Company, we have been restricted from directly participating in the motion picture production, marketing and distribution businesses within India. For details, see section titled "Recent Developments" beginning on page 20 of this Draft Letter of Offer.

**9. *The completion of the Business Transfer Agreement is contingent on the successful completion of the conditions precedent set out therein***

The transfer of the Company's film business pursuant to the Business Transfer Agreement is contingent on the successful completion of certain conditions precedent, which includes obtaining relevant regulatory approvals and entering into certain ancillary agreements for assignment or licensing of trademarks. In the event the conditions precedent are not fulfilled or waived prior to November 6, 2007, the Business Transfer Agreement would stand terminated and the film business would continue to remain with the Company. For details see section titled "Recent Developments" beginning on page 20 of this Draft Letter of Offer.

**10. *We continue to be exposed to the risks associated with the film content production and distribution business through our existing and planned investments.***

We have invested GBP 10 million, in The Indian Film Company through a subscription to ordinary shares allotted at par constituting 18.18% of the total paid up share capital The Indian Film Company. Additionally, pursuant to Share Subscription Agreement and Shareholders Agreement, either our Company or BK Holdings Limited (an indirect subsidiary of our Company) will invest in MTV India (subject to fulfilment of certain conditions) and pursuant to such an investment, our Company or BKH would hold 50% of the paid up equity share capital of MTV India, which would also be associated with the film business. For details please see section titled "Recent Developments" beginning on page 20 of this Draft Letter of Offer.

These investments expose us to the vagaries inherent in the film industry, such as the uncertainty involving the acceptability of films by audiences, censorship, low box office earnings, ban on exhibition of films due to perceived political, cultural and religious sensitivities etc. The production of a full-length feature film typically involves a lag between the incurring of costs, and the realisation of revenues through various streams starting at a later stage, which may be dispersed over time. In addition, production and release of films may be subject to certain delays, including but not limited to non-performance of our contracts or delay in performance, increase in costs and change in star cast.

**11. *The event management industry in India is in an evolving stage.***

Since the Indian event management industry is at an evolving stage, growth prospects and margins may be lower than expected. Further, at present, organizing any large format event, requires numerous clearances and approvals from various agencies at the state and municipal levels. Absence of a single-window clearance procedure for such events may cause undue delays and lead to unforeseen hindrances while organizing such events, which may significantly affect our operations and profitability from this business.

**12. *The event management industry is unorganised and most of the industry operators are non-corporate entities.***

The event management industry is unorganised and many of the operators in the industry are non-corporate entities. Due to its unorganised nature, various entities in the event management industry may have different cost structures and profit objectives, which may result in their adopting different pricing strategies. This may affect our ability to compete effectively.

13. ***The organisation of large format events carries various risks such as safety and security risks, terrorist risks, protests and other disruptions which, upon occurrence may adversely affect our business prospects and results of operations.***

Large format events organised by us involve the gathering of large crowds of people which expose us to various safety and security risks like fire and other accidents. Additionally, these events may be the targets of terrorist threat or other disruptive elements such as protests and demonstrations, and other force majeure risks. With respect to our events business, for events we have organised to date, the cost of the venue typically includes third party insurance coverage for any accidents or injury which occur at the venue. However, we typically do not take insurance to cover losses that the Company might incur due to cancellation of the event due to force majeure occurrences. In the event any of these risks materialise, there may be an adverse impact on our reputation, business prospects and results of operations.

14. ***At present, there is a scarcity of exhibition infrastructure in India for staging large format events.***

At present, there is a scarcity of exhibition infrastructure in India for staging large format events. For example, many large format events are currently held in sports grounds that are not designed for this purpose. The lack of quality exhibition infrastructure across the country may adversely affect the growth of this industry.

15. ***Our Company, our Directors, and our Promoter are involved in certain legal and regulatory proceedings that, if determined against them, could have adverse impact on the Company.***

There are outstanding legal proceedings against us, our Directors, our Promoter. These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals. The consolidated amounts involved in the outstanding litigations or disputes including direct tax liabilities, where quantifiable, are estimated at Rs. 1,080.20 lakhs. In addition, with respect to a specific litigation filed by certain minority shareholders of e-Eighteen Private Limited against our Company, Mr. Raghav Bahl and others, the concerned minority shareholders have claimed a compensation of Rs. 3,11,406.00 lakhs. If any of these legal proceedings are determined against the Company, its Promoter and Directors it could have an adverse impact on our business. For further details see the section "Outstanding Litigation and Material Developments" beginning on page 295 of this Draft Letter of Offer.

16. ***Restriction on foreign investment in the Company limits our ability to raise capital outside India.***

According to the prescribed limits under the Foreign Exchange Management Act, 1999, the applicable regulations thereunder, the Industrial Policy of the Government of India and the Uplinking Guidelines, not more than 26% of Television Eighteen India Limited and Global Broadcast News Limited, our subsidiaries, can be directly or indirectly held by foreign investors. Pursuant to the resolutions of the Board dated November 27, 2006, foreign shareholding in our Company has been capped at 13.12%, as any subsequent change in holding by FIIs in our Company would result in a change in the indirect holding of FIIs in Television Eighteen Limited and Global Broadcast News Limited. Hence, no further purchases of shares of our Company would be allowed through stock exchanges in India on behalf of FIIs/NRIs/PIOs, thereby inhibiting our ability to raise capital outside India.

17. ***Our principal shareholders include our Promoter and other promoter group entities who control a significant percentage of our shareholding, which can significantly influence our corporate actions.***

Our Promoter has an equity holding of approximately 20% in our Company as of the date of filing this Draft Letter of Offer. The Promoter and other promoter group companies have, and will continue to have, considerable influence over our business and may take actions that do not reflect the will or best interests of the other shareholders. The Promoter and other promoter group companies have the ability to control our business including matters relating to any sale of all or substantially all of its assets, the timing and distribution of dividends and the election or termination of appointment of its officers and directors. This control could delay, defer or prevent a change in control, impede a merger, consolidation, takeover or other business combination, or discourage a potential acquirer from making

a tender offer or otherwise attempting to obtain control of us even if it is in the best interest of our shareholders.

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

As of March 31, 2007, we have a total contingent liability outstanding of Rs. 19,060.28 lakhs. For details of contingent liabilities, see the section titled “Outstanding Litigation and Material Developments” beginning on page 295.

**19. *We depend on certain key management personnel and the loss of one or more of such personnel may adversely affect our business.***

Our success depends heavily on retaining the services of certain key management personnel. If any one or more of such personnel cease to work with us and we are unable to find suitable replacement personnel in a timely and cost efficient manner, our business may be disrupted and we may not be able to achieve our business objectives, including growing and establishing our new businesses. We believe that if we were to lose the services of our Managing Director, Mr. Raghav Bahl, who has been instrumental in our ability to achieve significant growth over the past several years, it would have a material adverse effect on our business.

Also, we may lose our key management team to our competitors, which would have an adverse impact on our business. We do not maintain “key person” life insurance policies for any of our key management personnel or Directors.

Competition for qualified personnel in the media, entertainment and event management businesses remains intense and the pool of qualified candidates is limited. Our inability to attract, hire and retain skilled talent with experience in the content production, event management, media and entertainment industry on a cost efficient basis may have a material adverse effect on our business, prospects, financial condition, results of operations.

**20. *We intend to undertake further investments in media and allied sectors funded from the proceeds of this Issue which may prove to be difficult to integrate and manage or may not be successful.***

We intend to undertake investments, funded from the proceeds of this Issue, in businesses and companies that operate in the media and allied sectors, whose resources, capabilities and strategies are complementary to and likely to enhance our business operations. It is possible that we may not identify suitable investment opportunities, or if we do identify suitable opportunities, we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable investments or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects.

There can be no assurance that we will be able to achieve the strategic purpose of such an investment and generate an acceptable return on such an investment.

**21. *Our financing requirements and the deployment of the net proceeds of the Issue are based on management estimates and have not been independently appraised.***

Our financing requirements and the deployment of the net proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. In view of the highly competitive nature of the media, entertainment and event management industry in which we operate, we may have to revise our management estimates from time to time and consequently our financing requirements and the expected deployment of the net proceeds of the Issue may also change. Accordingly, investors in this Issue will need to rely upon the judgment of our management with respect to the use of proceeds.

In addition, we intend on using a part of the proceeds to fund working capital requirements for the production of audio and video content. This is a new business segment for us and has not contributed 25% or above of our revenues for the last three Fiscal years. We cannot assure you of our success in this new business area.

**22. *We have not entered into any definitive agreements to use a part of the proceeds of the Issue.***

The net proceeds from this Issue are expected to be used as set forth under “Objects of the Issue” beginning on page 59 of this Draft Letter of offer. The use of a part of the net proceeds is at our sole discretion. We have not entered into any definitive agreements to utilize a portion of the proceeds of the Issue. There can be no assurance that we will be able to enter into such agreements on terms favorable to us or at all. Accordingly, investors in this Issue will need to rely upon the judgment of our management, who will have considerable discretion, with respect to the use of proceeds.

Pending utilization of the proceeds of the Issue, we intend to temporarily invest the proceeds in high quality interest bearing liquid instruments, including deposits with banks. Such investments would be in accordance with the investment policies approved by the Board from time to time. However, such investments could lose value or not produce expected income.

**23. *We intend to pre-pay/repay part of our outstanding debt from the net proceeds of the Issue and we may have to pay penalties for pre-payment of certain loans under our loan agreements.***

We intend to pre-pay/repay a part of our outstanding debt from the net proceeds of the Issue. Some of our loans agreements provide for prepayment penalties and require prior permission for repayment. There is no assurance that such approvals would be forthcoming and that our lenders will not impose onerous terms and conditions for pre-payment which may adversely affect our results of operations.

**24. *Any further issuance of Equity Shares by us may dilute your shareholdings and adversely affect the trading price of the Equity Shares.***

If we do not have sufficient internal resources to fund our working capital or capital expenditure needs in the future, we may need to raise funds through further equity offerings. As an investor in this Issue, you may experience dilution to your shareholding to the extent that we conduct future equity or convertible equity offerings. Such dilutions can adversely affect the market price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

**25. *We do not maintain any insurance coverage, if we suffer any uninsured loss it could cause a material adverse impact on our results of operations.***

We do not maintain any insurance coverage in relation to our business operations, as until recently we had no active business operations besides investments. If we suffer an uninsured loss our business, financial condition and results of operations may be materially and adversely affected.

**26. *Our inability to effectively manage our growth or to successfully implement our business plans and growth strategy could have a material adverse effect on our operations and financial condition.***

Our inability to manage our expansion effectively and execute our growth strategy could have a material adverse effect on our business financial condition and cash flows. Our future prospects will depend upon our ability to grow our new business segments further.

In order to manage growth effectively, we must continuously implement improved operational systems, procedures and internal controls on timely basis. If we fail to implement these systems, procedures and controls successfully on timely basis, or if there are weaknesses in our internal controls we may not be able to pursue our future strategies or operate our business effectively.

A failure to manage growth effectively could have a material adverse effect on our business, results of operations and financial condition.

**27. *Grants of stock options under our proposed employee stock option plan will result in a charge to our profit and loss account and will to that extent reduce our profits.***

We have three employee stock option plans, under which eligible employees and Directors of our Company and our subsidiary companies can participate, subject to such approvals as may be necessary.

7,00,000 options been granted pursuant to the three schemes. In addition to the above, we have instituted nine Network 18 ESOP-II Schemes (as defined herein below). 26,85,816 options have been granted pursuant to TV18 Eligible Employees pursuant to the Network 18 ESOP-II Scheme. Further, 9,47,784 of options are proposed to be granted which would result in a dilution. Under Indian GAAP, the grant of stock options will result in a charge to our profit and loss account based on the difference between the fair value of shares determined at the date of grant and the exercise price.

Additionally, the Finance Act 2007-2008 has brought employee stock option schemes, within the ambit of the Fringe Benefit Tax. As a result, the difference in the market value of equity shares given under employee stock option scheme on the date of exercising the option and the price that is paid for the equity shares would be treated as a capital gain. Companies would be required to pay a tax of 33.99% on the gain. For details on the employee stock option schemes and the Network 18 ESOP-II Schemes See “Capital Structure” and “Our Management – Employee Stock Option Schemes” beginning on pages 57 and 132 of this Draft Letter of Offer.

**28. *We have entered into certain related party transactions.***

We have entered into certain related party transactions with our Promoter, Directors and Promoter group entities and key managerial personnel. For details see section titled “Financial Statements – Annexure IV” beginning on page 165 of this Draft Letter of Offer.

**29. *Some of our Subsidiaries have incurred losses in recent Fiscal periods.***

Certain of our Subsidiaries have incurred losses (as per their financial statements) in recent years, as set forth in the table below:

Name of Subsidiary	Profit /(Loss) (Rs. Lakhs unless otherwise stated)		
	Fiscal 2007	Fiscal 2006	Fiscal 2005
EEL	47.94	519.27	(21.74)
TCCL	(263.52)	(136.08)	(44.82)
GBN	(3,203)	(4,608.55)	N.A.
Network 18 Holdings Limited	(31,914)	N.A.	N.A.
iNews.com Limited	(0.33)	0.76	17.86
News Wire 18 India Private Limited	(714.98)	N.A.	N.A.
RVT Investments Private Limited	(0.99)	N.A.	N.A.
TV18 UK Limited	(12,572)	N.A.	N.A.
TV18 Home Shopping Network Private Limited	(420.76)	N.A.	N.A.
E-18 Limited	(28,605)	N.A.	N.A.
Web 18 Software Services Limited	(632.34)	N.A.	N.A.
Money control Dot Com India Limited	(1.16)	0.63	1.42

We cannot assure you that these Subsidiaries will not incur losses in the future.

**30. *Some of our Promoter group companies have incurred losses in recent Fiscal periods.***

Certain of our Promoter group companies have incurred losses (as per their financial statements) in recent years, as set forth in the table below:

Name of Promoter group company	Profit /(Loss) (Rs. Lakhs)		
	Fiscal 2007	Fiscal 2006	Fiscal 2005
RB Software*	8,19,985.00	(197,852.00)	Nil
RB Softech**	(0.20)	(0.19)	Nil
RVT Softech	(15.29)	N.A.	N.A.
BK Media	(16.42)	(11.00)	Negligible
Greycells 18 Media Private Limited	(2.65)	N.A.	N.A.
RB Investments	(4,670.86)	N.A.	N.A.
VT Holdings	(2.88)	N.A.	N.A.
Keyman Financial Services	(0.25)	0.94	1.03
SGA News	144.54	(265.50)	(201.00)
SGA Media	N.A.	(234,287.00)	(705,381.00)
Tangerine Digital	(81.52)	N.A.	N.A.

\* RB Software was incorporated on September 2, 2005. Therefore, audited financial results for the periods ended March 31, 2005 and March 31, 2004 are not available.

\*\* RB Softech was incorporated on September 15, 2005. Therefore, audited financial results for the periods ended March 31, 2005 and March 31, 2004 are not available.

We cannot assure you that these Promoter group companies will not incur losses in the future. In addition, SGA Media is currently in the process of being liquidated.

**31. Some of our Subsidiaries have had negative net worth in recent Fiscal periods.**

Certain of our Subsidiaries have had negative net worth (as per their financial statements) in recent years, as set forth in the table below:

Name of Subsidiary	Negative Net Worth (In lakhs unless otherwise stated)		
	Fiscal 2007	Fiscal 2006	Fiscal 2005
GBN* (in Rs.)	13,302	(519.77)	Nil
TCCL (in Rs.)	(461.85)	(198.37)	(70.25)
News Wire 18 India Private Limited	(163.97)	N.A.	N.A.
TV 18 UK Limited	(12,571)	N.A.	N.A.

\* GBN was incorporated on June 6, 2005. Therefore, audited financial results for the periods ended March 31, 2005 and March 31, 2004 are not available.

We cannot assure you that these Subsidiaries will not have negative net worth in the future.

**32. Some of our Promoter group companies have had negative net worth in recent Fiscal periods.**

Certain of our Promoter group companies have had negative net worth (as per their financial statements) in recent years, as set forth in the table below:

Name of Promoter group company	Negative Net Worth (in lakhs unless otherwise stated)		
	Fiscal 2007	Fiscal 2006	Fiscal 2005
RVT Softech	(14.29)	N.A.	N.A.
Greycells 18	(1.65)	N.A.	N.A.
VT Investments	(1.68)	N.A.	N.A.
VT Holdings	(1.89)	N.A.	N.A.
SGA News (in Rs.)	(143.62)	126.00	(26.00)
SGA Media (in USD)	N.A.	(1,647,189.00)	(1,412,902.00)

We cannot assure you that these Promoter group companies will not incur negative net worth in the future. In addition, SGA Media is currently in the process of being liquidated.

**33. *Valuation methodology and accounting practises in media business may change.***

There are no standard valuation methodology or accounting practises in the internet, media and related industries. The valuations in the media industry are presently high and may not be sustained in the future. Additionally, current valuations may also not be reflective of future valuations within the industry. Current valuations of other listed companies in our industry may not compare with our Company.

**34. *Our Registered Office and other premises from which we operate are not owned by us***

We do not own the premises on which our Registered Office and our corporate offices are located on. We operate from rented premises. The leases for our Registered Office and our corporate office expire on September 19, 2009 and June 3, 2008, respectively. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions unfavourable to us, we may suffer a disruption in our operations. For further details, see the section titled "Our Business" beginning on page 85 of this Draft Letter of Offer.

**35. *You will not receive the Equity Shares (arising out of conversion of PCCPS) and Detachable Warrants pursuant to this Issue until approximately eighty five days after the date on which the PCCPS is allotted, which will subject you to market risk.***

The Equity Shares (arising out of conversion of PCCPS) and Detachable Warrants, pursuant to this Issue will not be credited to your demat account with depository participants until approximately eighty five days after the date on which the PCCPS is allotted. For details see section titled "Terms of the Issue" beginning on page 25 of this Draft Letter of Offer. You can start trading on these securities only after receipt of listing and trading approvals in respect of these securities. Since our Equity Shares are already listed on the stock exchanges, you will be subject to market risk from the date you pay for the Allotment Money for the PCCPS to the date they are listed and until you receive the Equity Shares arising after the conversion of the PCCPS. Further, there can be no assurance that the trading in the securities will commence, within the time periods specified above. Also, there can be no assurance that the PCCPS allotted, will have a market for trading.

**Risks associated with the business of our subsidiaries and companies in which we have substantial investments (together referred to as the "Group")**

**1. *Our Group operates in a highly competitive environment, which requires us to constantly invest in the latest technology, as the means of delivering content is subject to rapid technological change. There is no assurance that they will be able to correctly predict future trends for content delivery and the investments in technology that they undertake to be in line with future market trends.***

Our Group functions in a highly competitive environment and face competition from a range of companies engaged in communications and entertainment services which include over 300 television channels, several internet portals and other suppliers of news, information and entertainment targeted at the Indian population. Our Group's competitors deliver their content via various media including, satellite transmission, home video products, internet and fixed/mobile telephony.

As the means of delivering content is subject to rapid technological change, our Group is required to constantly make investments in newer technology, which would allow them to deliver content more effectively to a wider viewership. Investments in technology are capital intensive. There can be no assurance that they will be able to correctly predict future trends for content delivery and the investments in technology that they undertake to be in line with future market trends. In the event, they are unable to correctly predict future trends, the value of their investments would decline thereby having a material adverse effect on the business of the Group and also result in a loss of viewership. This would indirectly result in having a material adverse impact on the results of operations on the Company.

**2. *The availability of quality programming content and the acceptance of television programming by the public is difficult to predict, which could lead to fluctuations in the Group's revenue and market share.***

In order to maintain market share and viewership ratings and also increase its footprint, the Group has to be able produce or procure quality programming content, which they should be able to package and offer to customers at attractive prices, as compared to our competition. There can be no assurance that third party sources will be available, from whom they will be able to successfully procure quality programming content at attractive prices. If at all, they do procure programming content, there is no assurance it would be attractive prices, thereby resulting in an increase in costs.

The revenues derived from the production and distribution of television programmes depend primarily upon its acceptance by the public, which is difficult to predict. The commercial success of a television programme also depends upon the quality and acceptance of other competing television programmes released at the same time, the availability of alternative forms of entertainment and other factors, all of which can change and cannot be predicted with certainty.

In the event we are unable to produce or procure quality programming content at attractive prices, as compared to our competition or if our television programmes are not as successful with our viewership, it could result in a loss of market share and which would have a material adverse effect on our results of operations.

**3. *Our Group's business is heavily regulated and changes in regulations or failure to obtain required regulatory approvals could adversely affect our ability to operate.***

As a Group we are subject to various regulatory compliance requirements, which often restrict our ability to do business. We are required to regularly report compliance and also renew our licenses to operate. In the event, we fail to comply with any regulatory requirements or are unable to renew any of our regulatory licenses, it would adversely affect our ability to operate. Significant management time is also involved in ensuring compliance with applicable laws, which could instead be effectively utilised in our business operations.

The introduction of new laws or regulations pertaining to licensing requirements, access requirements, programming transmission, uplinking requirements, spectrum specifications, consumer protection, might further restrict our ability to operate and also increase our reporting requirements, which would adversely effect our results of operations.

**4. *Our Group is substantially dependent on advertising revenues and a decline in advertising expenditures could cause our Group's revenues and operating results to decline significantly in any given period.***

Our Group derives substantial revenues from advertisements. Our Group's business model anticipates advertising revenues to continue to account for a significant portion of its aggregate revenue in the foreseeable future. Consequently, our Group's future success, to a large extent, will depend on viewership and continued strength of their content and broadcasting business. Our Group competes for advertising revenues with other forms of advertising media such as radio, billboards, newspapers, and magazines. The Group does not have product offerings in these media. In the event of change in preferences of viewers and advertisers or other related factors, such as increased competition or change in viewership trends, it would result in lower viewership for the Group's of television programming, which would have an adverse effect on its business, financial condition and results of operations of the Group.

**5. *The seasonal nature of advertisement trends may cause our Group's income from operations to vary substantially each quarter, which will result in significant fluctuations in our quarterly results.***

Advertisement trends are seasonal in nature based on overall economic conditions and buying patterns. For instance, the Group's advertising sales are generally higher in the second half of a financial year because of the higher level of advertising during the festive and budget season in India. This results in our Group's income from operations to vary substantially by quarter, which will result in significant fluctuations in our quarterly results.

**6. *The Group's intellectual property and proprietary rights which may not be adequately protected under current laws.***

The Group's services are largely comprised of content in which it owns, or has licensed the intellectual property rights, delivered through a variety of media, including broadcast programming and internet. The Group relies on trademark, copyright and other intellectual property laws to establish and protect its rights in these products. There can be no assurance that the Group's rights will not be challenged, invalidated or circumvented or that the Group will successfully renew its rights or licenses. In addition, third parties may be able to copy, infringe or otherwise profit from the Group's rights without its authorisation. These unauthorised activities may be more easily facilitated by the internet. The lack of internet specific legislation relating to trademark and copyright protection also creates an additional challenge for the Group in protecting its rights relating to its on-line business processes and other digital technology rights. Further, the weak enforcement regime in India coupled with the high levels of cable, satellite and video piracy could impose an increased burden on the Group to protect its intellectual property rights.

If the Group is not able to successfully protect its intellectual property, it would result in a material disruption in the Groups online business which in turn could have an impact on our results of operations and profitability.

**7. *Brand recognition is important to the success of our Groups entertainment and media business, and the Groups inability to build and maintain brand names will harm our business, financial condition and results of operation.***

Brand recognition is important to the success of the Groups online business. Establishing and maintaining the Groups' brand names in the industry is critical to the success of the customer acquisition process of the Group online business. Although the Group has expended, a significant amount of resources, financial and otherwise, on establishing and maintaining the Groups brands, no assurance can be given that the Groups brand names will be effective in attracting and growing user and client base for our businesses or that such efforts will be cost-effective, which may negatively affect our business, financial condition and results of operations of the Group, which in turn could have an impact on our results of operations and profitability.

**8. *Our Groups websites are vulnerable to liability for fraudulent postings.***

There is a risk that fraudulent postings may be made on websites. Although we monitor content on a random basis to remove objectionable content, due to the nature of the medium, it is impractical to verify all content before each upload. Such fraudulent postings damage the Groups reputation and also expose the Group to claims such as defamation and invasion of privacy from the persons whose information is posted on our Groups websites, which may negatively affect the Groups business, financial condition and results of operations.

**9. *If third parties are able to circumvent our Groups technological protection measures which are put in place for the protection of data and on-line content protection or systematically copy our Groups on-line content, our Groups business would be adversely affected.***

Third parties have in the past collected, and third parties may in the future collect, listings and other information from our Groups websites and start online portals displaying the same information. If the Group fails to prevent third parties from circumventing our technological protection measures or if the Group fails to successfully prosecute third parties from using or copying our website content, the Groups business would be adversely affected.

**10. *Third party claims to rights in domain names that are the same or similar to our Groups could, if successful, disrupt our efforts at brand-building.***

Our Group faces the risk of claims and legal actions that may in the future arise from third parties that are using, or disputing our Groups right to use, the domain names under which our Groups websites currently operate. Our Group also faces the problem of competing websites using domain names that are similar to our Groups, which may create confusion for people wishing to access our Groups websites and hamper our Groups efforts at brand-building. The strength or utility of our Groups brand names would be adversely affected, if we are unable to successfully protect our Groups domain names.

11. ***The Group depends substantially on its management and other skilled personnel, and may be adversely affected if it loses their services and fails to find equally skilled replacements.***

The Group's success depends on the abilities and continued services of its management, as well as other skilled personnel, including creative and programming personnel. The Group's management and other skilled personnel are particularly important to its business because of their experience and knowledge of the media industry both in India and internationally. The loss or inability to retain its present personnel or attract additional qualified personnel as and when needed could have significant adverse affect on the Group's operations.

## **EXTERNAL RISK FACTORS**

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

Most of our operations are located in India and our business operations and performance are dependent on the overall economy, the gross domestic product ("GDP") growth rate and the economic cycle in India. The Indian economy could be adversely affected by a number of factors. Any slowdown in the Indian economy or volatility in global commodity prices, in particular oil and steel prices, could adversely affect the Indian economy. The Indian economy could also be adversely affected by a general rise in interest rates and unfavourable weather conditions adversely affecting agriculture. A slowdown in the Indian economy could adversely affect our business and results of operations.

2. ***Political instability and significant changes in the Government's policy on liberalisation of the Indian economy could impact our financial results and prospects.***

The role of the Indian central and state governments in the Indian economy and their effect on producers, consumers and regulators has remained significant over the years. Since 1991, successive governments of India have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. The current coalition-led Government which came to power in the year 2004 has announced policies and undertaken initiatives that continue the economic liberalisation policies pursued by previous governments.

However, there can be no assurance that these liberalisation policies and the political stability will continue in the future. The rate of economic liberalisation could change, and laws and policies affecting the media and entertainment industry, foreign investment and other matters affecting investment in our securities could change as well. Any significant change in liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

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. The withdrawal of one or more of these parties or any dispute between groups of these political parties could result in political instability. Any political instability could delay or otherwise adversely affect the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares and our results of operations.

3. ***Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business.***

Terrorist attacks and other acts of violence or war may adversely affect the global equity markets and economic growth.

## **Notes To Risk Factors**

- The net asset value per Equity Share, according to our audited restated financial statements as of March 31, 2007 was Rs 86.66 on the basis of outstanding shares and Rs. 55.90 on the basis of the diluted equity share capital of the Company.
- Our net worth, according to our restated audited financial statements as of March 31, 2007 was Rs. 32,485.11 lakhs.

- Except as disclosed in the section titled “Capital Structure” on page 51 of this Draft Letter of Offer, neither our Promoter, Promoter group and Directors have consummated any transactions in the Equity Shares during the last six months prior to the filing of the Draft Letter of Offer with SEBI.
- Investors are advised to refer to the section titled “Basis for Issue Price” on page 64 of this Draft Letter of Offer.
- Investors are advised to refer to the sub-section titled “Basis of Allotment” on page 38 of this Draft Letter of Offer.
- The related party transactions as per Accounting Standard (AS-18) on Related Party Disclosures are detailed in the section titled “Financial Statements” on page 158 of this Draft Letter of Offer.
- Any clarification or information relating to the Issue shall be made available by the Lead Manager and the Company to the investors at large and no selective or additional information would be available in any manner whatsoever.
- Trading in the PCCPS, the Equity Shares and the Detachable Warrants, pursuant to conversion of Part A, of the Company for all the Investors shall be in dematerialised form only.
- The Company changed its name from SGA Finance and Management Services Private Limited to Network 18 Fincap Private Limited on April 12, 2006.
- Pursuant to the Scheme, the Company’s status was converted to that of a public limited company on October 20, 2006.

## RECENT DEVELOPMENTS

- I. Deed of Transfer and Assignment with The Indian Film Company (Cyprus) Limited (formerly known as Braxfield Investments Limited)
  - 1.1 The Company has entered into a Deed of Transfer and Assignment (“Assignment Deed”) with The Indian Film Company (Cyprus) Limited (“IFCCL”) dated April 19, 2007. Pursuant to the Assignment Deed, our Company has unconditionally and irrevocably agreed to assign the co-production and distribution agreements entered into by us in respect of 14 film projects to IFCCL for a specified consideration. Further, under the Assignment Deed, our Company has also agreed that all future film projects received by our Company shall be first offered to IFCCL.
  - 1.2 IFCCL is a subsidiary of The Indian Film Company, a company incorporated in Guernsey. The Indian Film Company, sponsored by Mr. Raghav Bahl, our Promoter, is listed on the Alternative Investment Market of the London Stock Exchange. The objective of The Indian Film Company is to raise funds and invest in the Indian film industry. Our Company has invested GBP 10 million in The Indian Film Company through a subscription to ordinary shares allotted at par currently constituting 18.18% of the paid up share capital of IFCCL.
- II. Share Subscription Agreement and Shareholders Agreement
  - 2.1 Our Company has entered into a Share Subscription Agreement (“SSA”) and a Shareholders Agreement (“SHA”), both dated May 22, 2007 with MTV Asia Ventures (India) Pte. Limited (“MTV Asia”), BK Holdings Limited, (“BKH”) an indirect subsidiary of our Company and MTV Networks India Private Limited (“MTV India”).
  - 2.2 Under the terms of these agreements, either our Company or BKH (an indirect subsidiary of our Company) will invest in MTV India (subject to fulfilment of certain conditions) and pursuant to such an investment, our Company or BKH would hold 50% of the paid up equity share capital of MTV India. This strategic alliance will include television, film and digital media content across numerous brands.
  - 2.3 The SHA also sets out the respective rights and obligations of our Company, BKH and MTV Asia in the management of MTV India. Our Company and BKH have rights including the right to appoint nominee directors, affirmative rights with respect to certain matters including but not limited to: change in the authorised share capital, appointment of the CEO and CFO, acquisition of certain business, commencement of any new business. Further, one of the conditions for the proposed investment by BKH in MTV India, is the execution of a Business Transfer Agreement, pursuant to which, our Company is required to transfer its film business to MTV India.
- III. Business Transfer Agreement
  - 3.1 The Company has entered into a Business Transfer Agreement dated September 15, 2007, with MTV India, a subsidiary of MTV Asia and an indirect subsidiary of Viacom Inc.
  - 3.2 Pursuant to this Business Transfer Agreement, the Company is in the process of transferring its business of film production, distribution, marketing, acquisition of worldwide distribution rights together with (i) the business contracts, (ii) employees, (iii) the books and records, (iv) business assets and (v) business properties, (vi) stock and work in progress, (vii) liabilities and provisions, (viii) assets, (ix) business goodwill and (x) business intellectual property rights, to MTV Asia as a going concern on a slump sale basis for a consideration which is equivalent to the sum of USD 450,000.
  - 3.3 The Business Transfer Agreement is contingent on the successful completion of certain conditions precedent, which includes obtaining relevant regulatory approvals, entering into certain ancillary agreements and complying with obligations and conditions contained in certain agreements including *inter alia* the Business Transfer Agreement, the shareholders agreement and the share subscription agreement dated May 22, 2007 between MTV Asia, the Company, BK Holdings and MTV India and trade mark and programme licensing agreement.

- 3.4 If the conditions precedent are not fulfilled or waived on or before the November 6, 2007 all rights and obligations of the parties under this Business Transfer Agreement except certain clauses shall terminate and neither party shall have a claim against the other party.
- 3.5 Pursuant to the Business Transfer Agreement, no claim can be made by MTV India against the Company arising out of the warranties given by the Company unless the amount of claim exceeds an equivalent of US\$ 1,000 and the aggregate amount of claims exceeds US\$ 13,750. The aggregate liability of the Company in respect of all claims arising out of the breach of warranties and other claims, shall not exceed US\$ 825,000.
- 3.6 Pursuant to this Business Transfer Agreement, the Company is restricted from engaging in the business of film production, marketing, distribution within India from the date of the completion of the Business Transfer Agreement. The Company has transferred the Studio 18 brand name together with all related intellectual property rights to MTV India.
- 3.7 The Business Transfer Agreement is governed by the laws of India. Any dispute arising out of the Business Transfer Agreement between the Company and MTV India shall first be subject to conciliation failing which such dispute shall be resolved through arbitration in accordance with the arbitration rules of the London Court of International Arbitration.

## SUMMARY OF OUR BUSINESS, STRENGTH AND STRATEGY

### Business overview

Our Company is the holding company of the Group with strategic and financial investments in media and allied businesses and is registered with the RBI as a NBFC. Our Company primarily has investments in: (a) TV18, which owns and operates 'CNBC-TV18' and 'CNBC Awaaz' channels;; (b) Setpro, which is primarily engaged in the business of distribution of channels, arranging band placement, seeding of set top boxes within India or abroad and to collect subscription revenues for broadcasters; (c) Network 18 Holdings Limited which is the holding company for Homeshop18, the Group's home shopping service; and (d) GBN, which owns and operates the channel, 'CNN IBN' and has substantially invested in a company which controls a Hindi language news and current affairs channel 'IBN 7'.

With track record of more than 10 years, the Group has been able to position itself as a leading player in the media and entertainment industry. Our Company forayed into audio and video content production and distribution with an initial focus on co-production and distribution of feature films through our film division, "Studio 18" which was established in July 2006.

As a part of the Group strategy and our intention to de-risk the films business, our Company has invested GBP 10 million in The Indian Film Company Limited (a company incorporated in Guernsey), a GBP 55 million company sponsored by Mr. Raghav Bahl, our Promoter and is listed on the Alternative Investment Market of the London Stock Exchange. The objective of The Indian Film Company Limited, is to invest primarily in the Indian film industry. Further, as a part of this arrangement, our Company has also entered into a deed of transfer and assignment dated April 19, 2007 with The Indian Film Company (Cyprus) Limited (a wholly owned subsidiary of The Indian Film Company (Guernsey)), pursuant to which our Company assigned all its rights with respect of current contracts our Company had entered into pertaining to the film business including co-production and distribution contracts along with a right of first refusal with respect to all future contracts originated by "Studio 18".

Pursuant to the strategic alliance between the Group and Viacom Inc. ("Viacom"), our Company has entered into a share subscription agreement and a shareholders agreement dated May 22, 2007, to create a 50-50 joint venture with Viacom. As per the terms of the arrangement, our Company has also entered into a business transfer agreement dated September 15, 2007, pursuant to which our Company has agreed to transfer its film business, on a slump sale basis to MTV India. For further details, see section titled "Recent Developments" beginning on page 20 of the Draft Letter of Offer.

Our Company has also recently made a foray into event management, with the launch of "E-18", which would operate as our event management division. E-18 would operate in the live entertainment space, by conceptualising and staging large format events, such as concerts by international and Indian artists, award functions, large format business conferences, conclaves and seminars. "E-18" has organised the *Independence Rock Concerts*, a series of four major rock concerts across the country, in August and September 2007.

In order to diversify and expand our content production business and to capitalise on the Group's expertise, synergies and experience in the media industry, our Company is enhancing its focus on audio and video content production for television, internet, IPTV and allied media.. Our proposed audio and video content venture will focus on producing audio and video content across various genres of drama, music shows, news features, talk shows, events, animation, reality shows and programs related to current affairs for various television channels, including channels owned and operated by the Group.

Our Equity Shares were listed on BSE and NSE on February 2, 2007, pursuant to the Scheme undertaken in the year 2005, between our Company, TV18 and SGA News with a view to unlock significant synergies in the businesses of the Group and to re-organise the existing Group operating structure to comply with the MIB Guidelines. For further details of the Scheme and Listing, see section titled "History and Certain Corporate Matters" on page 96 of this Draft Letter of Offer.

Our total revenue for Fiscal 2006 and Fiscal 2007 was Rs. 164.95 lakhs and Rs.1,618.63 lakhs, respectively.

### Our Strengths

We believe that we are well positioned to capture considerable growth opportunities in media and entertainment,

our event management and audio and video content production businesses because of the following key strengths:

- *Our Directors have experience in setting up and successfully operating media businesses*
- *Ability to establish new businesses and ventures*
- *Strong brand equity*
- *Expertise in content production*
- *Synergies with event management*

#### **Our Strategy**

- *Principal elements of our strategy are the following:*
- *Pursuing potential strategic acquisitions and investments*
- *Investing in the Group*
- *To establish our Company as a reputed audio and video content creator in the media and entertainment space*
- *Establish E-18 as reputed player in event management*

For further details regarding our business, strengths and strategies please see section titled “Our Business” beginning on page 85 of this Draft Letter of Offer.

## THE ISSUE

The details of this issue are set out below:

PCCPS to offered/issued	1,02,82,251**
Rights Entitlement	1 (one) PCCPS for every 5 (five) Equity Shares on the Record Date
Record Date	[•]**
Issue price per PCCPS	Rs. 200
Equity Shares outstanding prior to the Issue	5,14,11,255
Equity Shares to be issued on conversion of Part A	1,02,82,251**
Equity Shares outstanding after conversion of Part A	6,16,93,506**
Equity Shares to be issued on exercise of Detachable Warrants	1,02,82,251**
Equity Shares outstanding after exercise of Detachable Warrants	7,19,75,757*
Objects of the Issue	For more information, see section titled “Objects of the Issue” beginning on page 59 of this Letter of Offer.

\* Up to an additional 28,420 PCCPS may be offered pursuant to allotment of up to 1,42,100 Equity Shares due to the vesting of employee stock options under Network 18 Employee-II Schemes. For details refer to the section titled “Capital Structure” beginning on page 57 of this Draft Letter of Offer.

\*\* Will be updated at the time of the Letter of Offer

The PCCPS will consist of two parts:

- Part A of the PCCPS– Convertible portion; which would be compulsorily and automatically converted into one Equity Share on the PCCPS becoming fully paid-up. From the Issue Price of Rs. 200 an amount of Rs. 50 (Rs. 5 towards face value and Rs. 45 towards share premium) shall be appropriated towards issuance of each Part A- Equity Share.
- Part B of the PCCPS– Non-convertible portion - After part conversion of the PCCPS into a Part A- Equity Share, the PCCPS will continue to be traded as a preference share for the balance face value of Rs. 150.

There will be one Detachable Warrant for every PCCPS and the Detachable Warrant will be issued on the PCCPS becoming fully paid up.

For details in relation to the PCCPS, refer to section titled “Terms of the Issue” beginning on page 25 of this Draft Letter of Offer .

## **TERMS OF THE ISSUE**

The PCCPS and Detachable Warrants, being issued, are subject to the terms and conditions contained in this Draft Letter of Offer, the enclosed Composite Application Form (CAF), the Memorandum and Articles of Association of the Company, the provisions of the Companies Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

### **Authority for the Issue**

This Issue is being made pursuant to the resolution passed by the Board of Directors of the Company under Section 81(1) of Companies Act at its meeting held on March 5, 2007 and the meeting of the Rights Issue Committee held on September 24, 2007.

### **Basis for the Issue**

The PCCPS and Detachable Warrants are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of shares held in the physical form at the close of business hours on the Record Date, i.e., [•] fixed in consultation with the Stock Exchanges.

### **Rights Entitlement**

As your name appears as beneficial owner in respect of Equity Shares held in electronic form or appears in the Register of Members as an Equity Shareholder on the Record Date, you are entitled to the number of PCCPS with Detachable Warrants shown in page [•] of the enclosed CAF. Each PCCPS will have an Issue Price of Rs. 200.

The eligible Equity Shareholders shall be entitled to the following:

- One PCCPS for every five Equity Shares held as on the Record Date;

The PCCPS will consist of two parts:

Part A of the PCCPS– Convertible portion; which would be compulsorily and automatically converted into one Equity Share on the PCCPS becoming fully paid-up (“Part A-Equity Share”). From the Issue Price of Rs. 200 an amount of Rs. 50 (Rs. 5 towards face value and Rs. 45 towards share premium) shall be appropriated towards issuance of each Part A- Equity Share.

Part B of the PCCPS– Non-convertible portion - After part conversion of the PCCPS into a Part A- Equity Share, the PCCPS will be traded as a preference share for the balance face value of Rs. 150 (“Part B- Preference Share”).

- There will be one Detachable Warrant for every PCCPS and the Detachable Warrant will be issued on the PCCPS becoming fully paid up.

### **Principal Terms and Conditions of the Issue**

#### **Terms of the PCCPS**

Each Equity Shareholder will be entitled to subscribe to the PCCPS being allotted on a Rights basis under this Issue. Each PCCPS will have a face value Rs. 200. The PCCPS will be listed and available for trading.

The PCCPS will consist of two parts:

Part A of the PCCPS– Convertible portion; which would be compulsorily and automatically converted into one Equity Share on the PCCPS becoming fully paid-up. From the Issue Price of Rs. 200 an amount of Rs. 50 (Rs.

5 towards face value and Rs. 45 towards share premium) shall be appropriated towards issuance of each Part A- Equity Share.

Part B of the PCCPS– Non-convertible portion - After part conversion of the PCCPS into a Part A- Equity Share, the PCCPS will continue to be traded as a preference share for the balance face value of Rs. 150 (“Part B- Preference Shares”).

The Equity Shareholders are required to accept the PCCPS as a whole, part acceptance of the Part A or Part B shall not be valid.

#### **Face value**

Each PCCPS shall have the face value of Rs. 200.

#### **Issue Price**

Each PCCPS is being offered at a price of Rs. 200.

#### **Rights Entitlement Ratio**

The PCCPS are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of one PCCPS for every five Equity Shares held as on the Record Date. For every PCCPS subscribed and allotted on rights basis and on becoming fully paid up, the Equity Shareholders will also be entitled to receive one Detachable Warrant.

#### **Fractional entitlements**

For the PCCPS being offered on a rights basis under this Issue, if the shareholding of any of the Equity Shareholders is less than five, or is not in multiples of five, then the fractional entitlement of such holders of Equity Shares shall be rounded off to the next higher integer.

The additional PCCPS needed for such issuances will be first adjusted from the unsubscribed portion of the Issue, if any, and any further requirements shall be adjusted from the Promoter/Promoter group’s entitlement at the time of allotment.

#### **Terms of payment**

The payment method available to the Equity Shareholders applying for allotment of PCCPS under this Issue is as follows:

Payment Method: On application, Rs. 100, which constitutes 50% of the full amount of the Issue Price of Rs. 200 shall be payable (“Application Money”).

The remaining Rs. 100, which constitutes 50% of the Issue Price shall become payable within 75 days from the Allotment Date (“Call Money”). The Board or a Committee thereof may at its discretion extend the last date for payment of allotment money for such period(s) not exceeding twelve months) from the Allotment Date as it may consider appropriate. The payment on application and on allotment would be applied as under:

<b>Amount payable</b>	<b>Face Value (per PCCPS)</b>
On application	Rs. 100
Within 75 days from the Allotment Date	Rs. 100
Total	Rs. 200

Under this payment method, if the amount paid by the Equity Shareholder is in excess of the Application Money, then for the purposes of this Issue, we reserve the right to adjust the excess amount towards the Call Money. Excess amounts, if any, after adjusting the excess amount towards the Call Money, shall be refunded to Equity Shareholder.

At least 30 days prior to the Call Money becoming due, the Company will fix a record date. The Company will also approach the Stock Exchanges to suspend trading in the PCCPS before the record date depending on their

respective trading and settlement cycles. The Company will also send out call notice to the investors as on the record date asking them to pay the Call Money before the due date, being 75 days from the Allotment Date.

Failure to pay the Call Money on or before the last date fixed for payment of Call Money or such extended date not exceeding 12 months from the Allotment Date as the Board or a Committee thereof may in its sole and absolute discretion determine, shall render the allottees liable to pay interest at the rate of up to 12% per annum on the amount outstanding from the last date fixed for payment to the date of actual payment. Failure to pay the Call Money as aforesaid shall also render the PCCPS, including the amount already paid thereon, liable to forfeiture in accordance with the provisions regarding forfeiture of shares contained in the Articles of Association. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited PCCPS and not actually paid before the forfeiture. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Equity Shareholder to the Company in respect of his PCCPS, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such PCCPS as hereinafter provided. Any PCCPS 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 Board shall think fit.

As per article 17 of the Articles of Association of the Company, the Equity Shareholders would be given not less than 30 days time for the payment of the Call Money.

Any further issue of forfeited partly paid up PCCPS shall be made in consultation with the Stock Exchanges and after seeking necessary approvals under the provisions of the listing agreement. Further, the Company shall approach the Stock Exchanges to suspend the trading in the partly paid up PCCPS before the Record Date depending on their respective trading and settlement cycles.

#### **Dividend on the Part B-Preference Shares**

Subject to its profitability, the Company shall pay dividend of 5% on the PCCPS. Such payments shall be cumulative in nature. The first dividend will be payable from the date of part conversion of the PCCPS into Part B-Preference Shares to the end of the financial year. Further details are given below under the paragraph Principal Terms of Part B-Preference Shares

#### **Market lot**

The market lot for the PCCPS and Detachable Warrants in dematerialised mode is one. The market lot for the Part A-Equity Shares in dematerialised mode is also one. In case of physical certificates, the Company would issue one certificate for the PCCPS and on the PCCPS becoming fully paid up, one certificate for the Detachable Warrant and the Part A- Equity Share.

#### **Minimum Subscription**

If the Company does not receive the minimum subscription of 90% of the Issue of PCCPS to the extent of the Application Monies, the entire subscription shall be refunded to the applicants within 42 days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than eight days after the Company becomes liable to repay the subscription amount, i.e. 42 days after closure of the Issue, the Company will pay interest for the delayed period, at the rates prescribed in sub-sections (2) and (2A) of Section 73 of the Companies Act.

The Issue will become undersubscribed after considering the number of PCCPS applied as per entitlement plus additional PCCPS. The undersubscribed portion shall be applied for only after the Issue Closing Date. The Promoter or any other person shall subscribe to such undersubscribed portion as per the relevant provisions of the law. Allotment to the Promoter of any unsubscribed portion, over and above his entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The above is subject to the terms mentioned under the sub-section entitled 'Basis of Allotment' on page 38 of this Draft Letter of Offer.

## Listing

The PCCPS will be listed and available for trading. The Company will apply for a separate ISIN for the PCCPS. Once the PCCPS becomes fully paid up, the resultant Part A-Equity Shares and Part B-Preference Shares will be listed and available for trading.

Illustrative time table for payment and corporate action with respect to Call Money and the conversion of the PCCPS as per the terms of the Issue

Sr. No	Events	Indicative time period (on and around)
1.	Basis of allotment finalised with Stock Exchange	Day X-2 (working days)
2.	Issue of allotment advice and allotment of PCCPS	Day X
3.	Listing and trading of PCCPS	Day X + 7 (working days)
4.	Notice for record date	Day X + 30
5.	Record date for making the PCCPS fully paid up and issue of call notice for Call Money	Day X + 45
6.	Suspension of trading in the PCCPS (assuming five trading days before the record date depending on the trading and settlement cycle of the stock exchange)	Day X + 40 to Day X + 75
7.	Due date for receipt of Call Money	X + 75
8.	Corporate action for appropriation of Call Money payable and for credit of fully paid PCCPS, Part A-Equity Shares and Detachable Warrants to demat accounts of shareholders who have paid the amount  Application for listing and trading of the Part A-Equity Share and Detachable Warrants	X + 75 + 7 working days
9.	Forfeiture of PCCPS, in event of failure to pay the Call Money.	Day X (working days) + 1 year

### Principal Terms of Part A-Equity Shares

Each PCCPS on becoming fully paid up would be compulsorily and automatically converted into one fully paid up Equity Share of Rs.5 each at a premium of Rs.45 per Equity Share without any further act or application on the part of the PCCPS holder.

### Ranking of the Part A-Equity Shares

The Part A-Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects including dividends with the existing Equity Shares of the Company.

### Listing of the Part A-Equity Shares

The Part A-Equity Shares shall be listed on the BSE and NSE. For more details refer to the section titled “Statutory and other Information” – Listing on Page 307 of this Draft Letter of Offer.

### Principal Terms of the Part B-Preference Shares

#### Redemption

The Part B-Preference Shares shall be redeemed at the end of 5 years from the Allotment Date at the residual face value of Rs.150.

## **Dividend**

Subject to its profitability, dividend on Part B-Preference Shares shall be paid at the rate of 5% per annum. Such payments shall be cumulative in nature. The first dividend will be payable from the date of conversion of the PCCPS into Part B-Preference Shares to the end of the financial year. Dividend payments will be made at the end of each Financial Year and the last payment would be made on final redemption.

Payment of dividend may be subject to deduction of tax at source as applicable.

## **Payment of Dividend**

Payment of dividend on Part B-Preference Shares will be made to those holders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the register of members of the Company at the close of business hours on the record date. The record date for this purpose would be fixed in consultation with the Stock Exchanges. Dividend payment will be made by cheque payable at par at such places where the applications are initially accepted. In other places, we reserve the right to adopt any other suitable mode of payment.

## **Electronic Clearing Service for Payment of Dividend/Redemption Proceeds**

The Company offers Electronic Clearing Service facility to its shareholders. RBI has introduced the concept of Electronic Clearing Service (ECS) through the clearing house to obviate the need for issuing and handling paper instruments and thereby facilitate improved customer service. This facility would be available in cities where RBI provides such a facility.

The Company will provide this facility to its Shareholders. As per the guidelines issued by RBI in this regard, the investor is required to give his mandate for ECS with all the details as per the RBI prescribed format. This will also help the Company to credit the dividend on the Part B-Preference Share and redemption of the Part B-Preference Share amount to the investor's account with the concerned bank at the earliest. The investors will also have the convenience of a direct credit to their bank account without the need to receive dividend warrants by post and deposit the same in their bank accounts. The bank branch will credit the investor's account and indicate the credit entry with ECS in the passbook/statement of account

## **Notices**

All notices to the PCCPS holder(s) required to be given by the Company shall be published in one English national daily newspaper with wide circulation and one Hindi national daily newspaper with wide circulation and/or will be sent by ordinary post to the registered address of the PCCPS holder(s) from time to time.

## **Procedure for Redemption of the Part B-Preference Shares**

Payment on redemption of the Part B-Preference Shares will be made to those Part B-Preference Shares holders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the register of PCCPS holders of the Company at the close of business hours on the record date to be fixed by the Company for this purpose. On payment of the redemption proceeds, the Part B-Preference Share certificates shall automatically stand cancelled. No surrender of the Part B-Preference Share certificates is required.

Payment on redemption will be made by cheque payable at par at such places that we deem fit. In other places, we reserve the right to adopt any other suitable mode of payment.

The Company's liability to the Part B-Preference Share holders towards their rights including for payment of dividend or otherwise shall stand extinguished from the date of redemption in all events and on the Company dispatching the redemption amounts to the Part B-Preference Share holders. Further, the Company will not be liable to pay any dividend, income or compensation of any kind from the date of redemption of the Part B-Preference Shares.

### ***Modification to the Terms of the PCCPS***

The rights attached to the PCCPS shall be varied only with the consent in writing of the holders of not less than three-fourths of the outstanding PCCPS or with the sanction of a special resolution passed at a separate meeting of holders of outstanding PCCPS.

### **Principal Terms of the Detachable Warrants**

#### ***Entitlement***

For every PCCPS on a Rights Basis under this Issue, each PCCPS holder will be entitled to one Detachable Warrant. These Detachable Warrants will be freely and separately traded. However, Detachable Warrants will be allotted only upon the conversion of the PCCPS into a fully paid up PCCPS.

#### ***Separate ISIN for Detachable Warrants allotted***

The Company shall also obtain a separate ISIN No. for the Detachable Warrants. The ISIN No. for these Detachable Warrants allotted shall be terminated upon these Detachable Warrants being converted into Equity Shares.

#### ***Detachable Warrant Conversion***

The Detachable Warrant holder will be entitled to exercise his right to apply for one Warrant Equity Share(s) of Rs. 5/- each at the Warrant Exercise Price for each Detachable Warrant held on the record date for exercising the Detachable Warrants, in the manner set out below.

#### ***Warrant Exercise Period***

The Warrant Exercise Period shall be the period commencing after 24 months from the Date of Allotment upto 48 months from the Date of Allotment. The Date of Allotment for the Detachable Warrants shall be same as date of allotment of the PCCPS.

#### ***Record date for Warrant Exercise***

The Board or any Committee thereof may fix a record date for Warrant Exercise for the purpose of determining the Detachable Warrant holders who would be eligible to exercise their Detachable Warrants into Warrant Equity Shares of the Company.

#### ***Procedure for Exercise of Detachable Warrants and Warrant Exercise Period***

The Board may fix a reasonable period (not less than 30 days) within the Warrant Exercise Period, for the purpose of enabling eligible Detachable Warrant holders to exercise their right to convert their Detachable Warrants into Warrant Equity Shares (“**Warrant Exercise Period**”). Warrant Exercise Periods may be fixed by the Board or a Committee thereof for the conversion of the Detachable Warrants. Detachable Warrant holders can exercise their right to apply for the Warrant Equity Shares only upon the Board or a Committee thereof calling upon the Detachable Warrant holders to convert such Detachable Warrants into Warrant Equity Shares during the Warrant Exercise Period and not otherwise than by way of a notice to the eligible Detachable Warrant holders (“**Warrant Exercise Notice**”). The Warrant Exercise Notice will be sent by ordinary post to the address available with the registrar and will also be published in one English national daily newspaper with wide circulation and one Hindi national daily newspaper with wide circulation. **Further the Detachable Warrants not converted during the Warrant Exercise Period shall lapse and no Equity Shares shall be allotted against such Detachable Warrants.**

#### ***Warrant Exercise Price***

The Warrant Exercise Price for each Detachable Warrant shall be at a 50% discount to the average of the weekly high and low of the closing prices of the Equity Share of the Company on the stock exchange with a higher aggregate trading volume during the 90 day period immediately preceding the week in which the Board informs the Stock Exchanges about fixing the record date for Warrant Exercise Period.

The Warrant Exercise Price shall be payable in full on application for issue of each Warrant Equity Share.

The face value of each Equity Share of the Company is Rs. 5 each. In the event of any sub-division or consolidation of the face value, the share entitlement on each Detachable Warrant shall be proportionately increased/decreased such that the aggregate nominal value of the entitlement remains the same as the nominal value of the Equity Shares immediately prior to such subdivision or consolidation e.g. in case the Company decides to reduce the face value of Equity Shares to Re. 1 each, then upon exercise of each Detachable Warrant by making payment under the Warrant Exercise Price, the Detachable Warrant holder would get five Equity Shares of Re. 1 each instead of one Equity Share of Rs. 5 each.

The above would be subject to the approval of the shareholders and other relevant authorities.

#### ***Procedure for Exercise of Detachable Warrants***

The exact procedure and manner of payment of the Warrant Exercise Price for exercise of the Detachable Warrants into Warrant Equity Shares of the Company will be communicated to the Detachable Warrant holders along with the Warrant Exercise Notice. Application for issue of Warrant Equity Shares should be made on the prescribed Warrant Exercise Application Forms. This application form would be sent to all the Detachable Warrant holders separately. The same would also be available on request with the Registrar.

#### ***Payment on Exercise of Detachable Warrants***

Upon the Warrant Exercise Notice being sent, the Detachable Warrant holder shall be obliged to pay the Warrant Exercise Price within the date and according to the procedure indicated therein.

#### ***Modification to the Terms of the Detachable Warrants***

The rights attached to the Detachable Warrants shall be varied only with the consent in writing of the holders of not less than three-fourths of the outstanding Detachable Warrants or with the sanction of a special resolution passed at a separate meeting of holders of outstanding Detachable Warrants.

#### ***Rights of Warrant holders***

- Subject to the above, the Detachable Warrants shall be transferable and transmittable in the same manner and to the same extent and be subject to the same restrictions and limitations and other related matters as in the case of Equity Shares of the Company.
- The Detachable Warrants shall not confer upon the holders thereof any right to receive any notice of the meeting of the Shareholders of the Company or Annual Report of the Company and or to attend/vote at any of the General Meetings of the Shareholders of the Company held, if any.
- Save and except the right of subscription to the Company's Equity Shares as per the terms of the Issue of Detachable Warrants, the holders of the Detachable Warrants in their capacity as Detachable Warrant holders shall have no other rights or privileges.
- The Warrant holders *inter-se*, shall rank *pari passu* without any preference or priority of one over the other or others.

A separate register of warrant holders would be maintained by the Company.

#### **Ranking of PCCPS**

The PCCPS shall be subject to the Memorandum and Articles of Association of the Company. The PCCPS which are allotted shall rank higher in priority in all respects including dividend than the existing Equity Shares of the Company. The PCCPS, until fully paid up, shall rank *pari passu* in relation to dividends and voting rights (to the extent applicable under the Companies Act) in accordance with the Articles of Association of the Company. The Board reserve the right, in accordance with the Articles of Association of the Company, to adjust the dividends declared on PCCPS towards the Call Money.

#### **Ranking of the Part A-Equity Shares**

The Part A-Equity Shares shall be subject to the Memorandum and Articles of Association of the Company. The Part A-Equity Shares allotted on part conversion of the PCCPS shall rank *pari passu* in all respects including

dividends with the existing Equity Shares of the Company. For more details, refer to “Main Provisions of Our Articles of Association” on page 313 of this Letter of Offer.

### **Offer to Non-Resident Equity Shareholders/Applicants**

Applications received from NRIs and non-residents for allotment of PCCPS and Detachable Warrants shall be inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 2000 (FEMA) in the matter of receipt and refund of application moneys and the allotment of PCCPS, Part A-Equity Shares and the Detachable Warrants on the PCCPS becoming fully paid up, issue of letter of allotment / share and warrant certificates, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on rights basis by an Indian company in terms of FEMA and regulation 6 of notification No. FEMA 20/2000-RB dated May 03, 2000. The Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of the PCCPS and the Part A-Equity Shares and Detachable Warrants on the PCCPS becoming fully paid up, payment of dividend etc. to the non-resident shareholders. The PCCPS and the Part A-Equity Shares and the Detachable Warrants purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. Such approval shall be submitted along with the CAF. The Letter of Offer and CAF shall only be dispatched to non-resident Equity Shareholders with registered address in India.

FIIIs will not need permission of the FIPB/RBI for investment in the Issue to the extent of their Rights Entitlement. However, in case of applications from such entities in excess of their entitlement, allotment will be subject to restrictions under applicable laws, including existing ceilings on FII holdings in the Company and the sectoral caps on foreign direct investment in the Company, as applicable.

Letter of Offer and CAF to non resident Equity Shareholders shall be dispatched only to their address mentioned in the Register of Members in India as provided under Section 53 of the Companies Act.

### **Nomination facility**

In terms of Section 109A of the Act, nomination facility is available in case of the PCCPS and the Detachable Warrants. The applicant can nominate any one person to receive both the PCCPS and the Detachable Warrants by filling the relevant details in the CAF in the space provided for this purpose.

A sole Equity Shareholder/ PCCPS holder/ Detachable Warrant holder or first Equity Shareholder/ PCCPS holder/ Detachable Warrant holder, along with other joint Equity Shareholders/ PCCPS holder/ Detachable Warrant holders being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the PCCPS and consequently the Detachable Warrants to be issue pursuant to the PCCPS being made fully paid up. A Person, being a nominee, becoming entitled to the PCCPS/Detachable Warrant by reason of the death of the original PCCPS Holder(s)/Warrant holder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the PCCPS/ Detachable Warrant.

Where the nominee is a minor, the PCCPS Holder(s)/ Detachable Warrant holder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the PCCPS/ Detachable Warrant(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the PCCPS/ Detachable Warrant by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the PCCPS/Detachable Warrant is held by two or more persons, the nominee shall become entitled to receive the PCCPS/ Detachable Warrants only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the office of the Registrar or such other person at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the PCCPS Holder(s) / Detachable Warrant holder(s) has already registered the nomination with the Company, no further nomination needs to be made for PCCPS/ Detachable Warrants to be allotted in this Issue under the same folio.

In case the allotment of PCCPS/Detachable Warrants is in dematerialised form, there is no need to make a separate nomination for the PCCPS/Detachable Warrants to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective DP.

### **Option available to the Equity Shareholders**

The CAF clearly indicates the number of PCCPS that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in PCCPS, then he can:

- Apply for his entitlement in part;
- Apply for his entitlement in part and renounce the other part;
- Apply for his entitlement in full;
- Apply for his entitlement in full and apply for additional PCCPS.

Renounees for PCCPS can apply for the PCCPS renounced to them and also apply for additional PCCPS.

For every PCCPS subscribed by and allotted to the Equity Shareholders, they will receive one Detachable Warrant on the PCCPS becoming fully paid up. There is no need to apply separately for the Equity Shares and Detachable Warrants.

### **Utilisation of Issue Proceeds**

The Board of Directors declares that:

- (i) The funds received against this Issue will be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Act.
- (ii) Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys has been utilised.
- (iii) Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate bank account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

### **Undertakings by the Company**

1. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the PCCPS are to be listed will be taken within seven working days of finalisation of basis of allotment.
3. The funds required for making refunds as per the modes disclosed shall be made available to the Registrar to the Issue.

4. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
5. Except as disclosed in this Draft Letter of Offer, no further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.
6. The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
7. All information shall be made available by the Lead Manager and the Issuer to the 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 shows, presentations, in research or sales reports etc.

## **How to Apply**

### ***Resident Equity Shareholders***

Applications should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given elsewhere in the Draft Letter of Offer.

### ***Non-resident Equity Shareholders***

Applications received from the Non-Resident Equity Shareholders for the allotment of PCCPS and Detachable Warrants shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of PCCPS and Detachable Warrants, issue of letters of allotment/ certificates/ payment of dividends etc.

The CAF consists of four parts:

Part A: Form for accepting the PCCPS offered and for applying for additional PCCPS

Part B: Form for renunciation

Part C: Form for application for renounees

Part D: Form for request for split application forms

### ***Acceptance of the Issue***

You may accept the PCCPS offered under this Issue, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the such CAF along with the application money payable to the Bankers to the Issue at any of its branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with a cheque either payable at par or drawn on a local bank at New Delhi/demand draft payable at New Delhi to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

There is no requirement to apply separately for the Part A-Equity Shares and Detachable Warrants or to communicate in any way the acceptance thereof.

### ***Renunciation***

As an Equity Shareholder, you have the right to renounce your entitlement for the PCCPS in full or in part in favor of one or more person(s). Your attention is drawn to the fact that the Company shall not allot and/or register any PCCPS in favor of:

- More than three persons including joint holders

- Partnership firm(s) or their nominee(s)
- Minors
- Hindu Undivided Family
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)
- Any non-resident - According to the prescribed limits under the Foreign Exchange Management Act, 1999, the applicable regulations thereunder, the Industrial Policy of the Government of India and the Uplinking Guidelines, not more than 26% of TV18 and GBN, our subsidiary, can be directly or indirectly held by foreign investors. Pursuant to the resolutions of the Board dated November 27, 2006, foreign shareholding in our Company has been capped at 13.12%, as any subsequent change in holding by FIIs in our Company would result in a change in the indirect holding of FIIs in TV18 and GBN. Hence, resident Equity Shareholders are **not** allowed to renounce their Rights Entitlement in favour of non-residents.

The right of renunciation is subject to the express condition that the Board or a Committee thereof shall be entitled in its absolute discretion to reject the request for allotment to renouncee(s) without assigning any reason thereof.

### **Procedure for renunciation**

#### ***To renounce the whole offer in favour of one renouncee***

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of joint renouncees, all joint renouncees must sign this part of the CAF.

Renouncee(s) shall not be entitled to further renounce the entitlement in favour of any other person.

#### ***To renounce in part/or renounce the whole to more than one person(s)***

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renouncees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

#### ***Renouncee(s)***

The person(s) in whose favour the PCCPS are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

#### ***Change and/ or introduction of additional holders***

If you wish to apply for PCCPS jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renouncee(s) without assigning any reason thereof.

**Please note that:**

- Part A of the CAF must not be used by any person(s) other than those in whose favour this Issue has been made. If used, this will render the application invalid.
- Request for split form should be made for a minimum of 1 PCCPS or in multiples thereof and one Split Application Form for the balance PCCPS, if any.
- Request by the applicant for the Split Application Form should reach the Company on or before [•].
- Only the person to whom this Draft Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

**Additional PCCPS**

You are eligible to apply for additional PCCPS over and above the number of PCCPS you are entitled to, provided that you have applied for all the PCCPS offered without renouncing them in whole or in part in favor of any other person(s). Applications for additional PCCPS shall be considered and allotment shall be in the manner prescribed under the section entitled 'Basis of Allotment' on page 38 of this Draft Letter of Offer. The renouncees applying for all the PCCPS renounced in their favor may also apply for additional PCCPS.

In case of application for additional PCCPS by non-resident equity shareholders, the allotment of additional securities will be subject to the permission of the RBI and the prescribed limits under the Foreign Exchange Management Act, 1999, the applicable regulations thereunder, the Industrial Policy of the Government of India and the Uplinking Guidelines.

Where the number of additional PCCPS applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

The summary of options available to the equity shareholder is presented below. You may exercise any of the following options with regard to the PCCPS offered, using the enclosed CAF:

Option Available	Action Required
1. Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A ( <i>All joint holders must sign</i> )
2. Accept your entitlement in full and apply for additional PCCPS.	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional PCCPS ( <i>All joint holders must sign</i> )
3. Renounce your entitlement in full to one person ( <i>Joint renouncees are considered as one</i> ).	Fill in and sign Part B ( <i>all joint holders must sign</i> ) indicating the number of PCCPS renounced and hand it over to the renouncee. The renouncees must fill in and sign Part C ( <i>All joint renouncees must sign</i> )
4. Accept a part of your entitlement and renounce the balance to one or more renouncee(s)  OR  Renounce your entitlement to all the <b>PCCPS</b> offered to you to more than	Fill in and sign Part D ( <i>all joint holders must sign</i> ) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once.  <b>On receipt of the Split Form take action as indicated below.</b>  For the PCCPS you wish to accept, if any, fill in and sign Part A.

Option Available	Action Required
one renouncee	For the PCCPS you wish to renounce, fill in and sign Part B indicating the number of PCCPS renounced and hand it over to the renouncees. Each of the renouncees should fill in and sign Part C for the PCCPS accepted by them.
5. Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncees must fill in and sign Part C.

### Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 15 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications.

### Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with an Account Payee Cheque drawn on a local bank at New Delhi/ at par cheque anywhere in India/Demand Draft payable at New Delhi which should be drawn in favor of the Company and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being Network 18 Fincap Limited
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of Equity Shares held as on Record Date
- Number of Rights PCCPS entitled
- Number of Rights PCCPS applied for
- Number of additional PCCPS applied for, if any
- Total number of PCCPS applied for
- Total amount paid as per the Payment Terms
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order
- PAN number, Income Tax Circle/Ward/District, photocopy of the PAN card/ PAN communication / Form 60 / Form 61 declaration where the application is for the PCCPS of a total value of Rs. 50,000 or more for the applicant and for each applicant in case of joint names

- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company.

Please note that those who are making the application otherwise than on CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

#### **Last date of Application**

The last date for submission of the duly filled in CAF is [•]. The Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 60 (sixty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Draft Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the PCCPS hereby offered, as provided under the section entitled “Basis of Allotment”.

**INVESTORS MAY PLEASE NOTE THAT THE PCCPS, PART A-EQUITY SHARES AND DETACHABLE WARRANTS OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.**

#### **Basis of Allotment**

Subject to the provisions contained in this Draft Letter of Offer, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the PCCPS in the following order of priority:

- Full allotment of PCCPS to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renounee(s) who has/ have applied for PCCPS renounced in their favour, in full or in part.
- Allotment to the Equity Shareholders who having applied for all the PCCPS offered to them as part of the Issue and have also applied for additional PCCPS, the allotment of such additional PCCPS will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date.in consultation with the Designated Stock Exchange.
- The allotment of such PCCPS to renounees who having applied for all the PCCPS renounced in their favour and applied for additional PCCPS, provided there is surplus remaining after (a) and (b) above.
- Allotment to any other person at the sole discretion of the Board/Committee of Directors, provided there is a surplus available after making full allotment under (a), (b) and (c), above.

After taking into account allotment to be made under (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be ‘unsubscribed’ for the purpose of regulation 3(1)(b) of the Takeover Code which would be available for allocation under (c) and (d) above. After considering the above allotment, if the Issue does not have subscription to the extent of 90% of the Issue size, the Promoter and the Promoter group shall subscribe to such portion to ensure that the Issue is successful. After such allotments as above and to the Promoter and the Promoter group, including the application for rights/renunciation and additional PCCPS, any additional PCCPS shall be disposed off by the Board or committee of the Board of Directors authorised in this behalf by the Board of Directors of the Company, in such manner as they think most beneficial to the Company and the decision of the Board or committee of directors of the Company in this regard shall be final and binding. In the event of oversubscription, allotment will be made within the overall size of the issue.

Allotment to Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and the other applicable laws prevailing at that time.

## **Underwriting**

The present Issue is not underwritten.

## **Allotment / Refund**

The Company will issue and dispatch letters of allotment/ share certificates/warrant certificates/demat credit and/ or letters of regret along with refund order or credit the allotted partly paid PCCPS to the respective beneficiary accounts, if any, within a period of thirty days from the closure of the Issue . If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

Shareholders residing in Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna or Thiruvananthapuram, will get refunds through electronic transfer of funds by using ECS (Electronic Clearing Service) only except where the Shareholder is otherwise disclosed as eligible to get refunds through direct credit and RTGS (Real Time Gross Settlement). The bank account details will be directly taken from the depositories database/mandates. The applicants are required to ensure that bank details including MICR code (a 10 digit code which appears in the cheque leaf) maintained at the depository level are updated.

Shareholders at other centres will continue to get refunds through registered/ordinary post.

In case of those shareholders who have opted to receive their PCCPS in dematerialised form by using electronic credit under the depository system, an advice regarding the credit of the PCCPS, the Part A-Equity Shares and Detachable Warrants shall be given separately.

In case of those Shareholders who have opted to receive their PCCPS in physical form and the Company issues letters of allotment, the corresponding PCCPS/Part A-Equity Share/ Detachable Warrant certificates will be kept ready within three months from the Allotment Date thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share/warrant certificates. For more information, see sub-section entitled 'Allotment Letters / Refund Orders' on page no. 49 of this Draft Letter of Offer.

Letters of allotment/PCCPS certificates/Part A-Equity Share certificates/warrant certificates/demat credit/refund orders above the value of Rs. 1,500 will be dispatched by registered post/ speed post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs. 1,500 shall be sent to the applicants by way of under certificate of posting. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked 'A/c payee' and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for the dispatch of such letters of allotment/PCCPS/Part A-Equity share certificates/ Warrant certificates / demat credit and refund orders.

As regards allotment/ refund to non-residents, the following further conditions shall apply:

In case of non-residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of non-residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

## **Allotment advice**

Allotment advice or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within thirty days from the date of closure of the Issue. In case the Company issues letters of allotment, the relative share certificates will be dispatched within three months

from the date of allotment. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ Warrant certificates / demat credit to non-resident allottees will be subject to the approval of RBI.

### **Option to receive PCCPS, Part A-Equity Shares and Detachable Warrants in Dematerialized Form**

Applicants to the PCCPS of the Company issued through this Issue shall be allotted the securities (PCCPS Detachable Warrants and Equity Shares) in dematerialised (electronic) form at the option of the applicant. The Company signed a tripartite agreement with National Securities Depository Limited (NSDL) and Registrar on [●] which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates. The Company has also signed a tripartite agreement with Central Depository Services (India) Limited (CDSL) and Registrar on [●] which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Issue, the allottees who have opted for PCCPS in dematerialised form will receive their PCCPS, Part A-Equity Shares and Detachable Warrants in the form of an electronic credit to their beneficiary account with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and/or dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares and Detachable Warrants sought in demat and balance, if any, will be allotted in physical form.

The PCCPS, Part A-Equity Shares and Detachable Warrants of the Company will be listed on the BSE and NSE.

Procedure for availing the facility for allotment of PCCPS in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those equity shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.*
- For equity shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their PCCPS pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of securities arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.

Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's depository participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's depository participant.

If incomplete / incorrect beneficiary account details are given in the CAF the applicant will get PCCPS, Part A-Equity Shares and Detachable Warrants in physical form.

The PCCPS, Part A-Equity Shares and Detachable Warrants pursuant to this Offer allotted to Investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to him the confirmation of the credit of such PCCPS, Part A-Equity Shares and Detachable Warrants to the applicant's depository account.

Renouncees will also have to provide the necessary details about their beneficiary account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

### General instructions for applicants

- a) Please read the instructions printed on the enclosed CAF carefully.
- b) Application should be made on the printed CAF, provided by the Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Draft Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.
- c) The CAF together with cheque/demand draft/at par cheque should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar to the Issue and not to the Company or Lead Manager to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft/at par cheque or cheque payable (net of demand draft charges and postal charges for despatch of forms from any location in India) at New Delhi and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- d) Applications for a total value of Rs. 50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her PAN number allotted under the Income-Tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Applicants who do not have PAN are required to provide a declaration in Form 60 / Form 61 prescribed under the I. T. Act along with the application. **The CAF without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected.**
- e) With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time vide its circular MAPIN/Cir-13/2005.
- f) Applicants are advised to provide information as to their savings/current account number and the name of the Bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- g) The payment against the application should not be effected in cash. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- h) Signatures should be either in English or Hindi or in any other language specified in the Eight Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company.
- i) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Offer and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected.
- j) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are

renounees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

- k) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of PCCPS, Part A-Equity Shares and Detachable Warrants, export of share and Warrant certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. **OCB's shall obtain prior approval from RBI for participating in this issue. A copy of RBI approval must be enclosed along with the CAF, failing which the application shall be rejected.**
- l) All communication in connection with application for the PCCPS, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Company, Alankit Assignments Limited in the case of PCCPS held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.
- m) Split forms cannot be re-split.
- n) Only the person or persons to whom PCCPS have been offered and not renounee(s) shall be entitled to obtain split forms.
- o) Applicants must indicate the payment method chosen. The applicant must chose only one of the payment methods.
- p) Applicants must write their CAF number at the back of the cheque / demand draft.
- q) Only one mode of payment per application should be used. The payment must be by cheque / demand draft/at par cheque drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- r) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected.
- s) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

### **Grounds For Technical Rejections**

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Payment method not chosen or both payment methods chosen;
- Amount paid does not tally with the amount payable for;
- Age of First Applicant not given;
- PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs. 50,000 or more;
- In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;

- If the signature of the existing shareholder does not match with the one given on the Application Form and for renounees if the signature does not match with the records available with their depositories;
- If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;
- Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;
- Applications not duly signed by the sole/joint Applicants;
- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- Applications accompanied by Stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications by US persons;
- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided; and
- OCBs shall obtain prior approval from RBI for participating in this issue. A copy of RBI approval must be enclosed along with the CAF, failing which the application shall be rejected.

#### **Mode of payment for Resident Equity Shareholders/ Applicants**

- All cheques / drafts accompanying the CAF should be drawn in favour of the Collecting Bank (specified on the reverse of the CAF), crossed 'A/c Payee only' and marked 'Name of the Bank A/c Network 18 Fincap Limited - Rights Issue'
- Applicants residing at places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their applications together with at par cheque / Demand Draft for the full application amount favouring the Bankers to the Issue, crossed 'A/c Payee only' and marked 'Name of the Bank A/c- **Network 18 Fincap Limited-Rights Issue**' payable at New Delhi directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

#### **Mode of payment for Non-Resident Equity Shareholders/ Applicants**

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

Payment by non-residents must be made by demand draft / at par cheque or funds remitted from abroad in any of the following ways:

#### **Application with repatriation benefits**

1. By Indian Rupee drafts purchased from abroad or funds remitted from abroad; or
2. By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account; or

3. By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India; or
4. FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

All cheques/drafts submitted by non-residents should be drawn in favour of the Bankers to the Issue and marked 'Name of the Bank A/c **Network 18 Fincap Limited - Rights Issue – NR**' and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF or with the Registrar before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the non-residents holding shares on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account and the same should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

#### **Application without repatriation benefits**

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account or Rupee Draft purchased out of NRO Account. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents should be drawn in favour of the Bankers to the Issue and marked 'Name of the Bank A/c **Network 18 Fincap Limited Rights Issue**' and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF or with the Registrar before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRO account and the same should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

#### **Note:**

- In case where repatriation benefit is available, dividend, sales proceeds derived from the investment in PCCPS, Equity Shares and Detachable Warrants can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case PCCPS, Equity Shares and Detachable Warrants are allotted on non-repatriation basis, the dividend and sale proceeds of the PCCPS, Equity Shares and Detachable Warrants cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF or with the Registrar before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

### **Disposal of application and application money**

No acknowledgment will be issued for the application moneys received by the Company. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board / Committee reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on PCCPS allotted, will be refunded to the applicant within thirty days from the close of the Issue.

For further instruction, please read the CAF carefully.

### **Important**

- Please read this Draft Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Draft Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with this Draft Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed 'Network 18 Fincap Limited - Rights Issue' on the envelope) to the Registrar to the Issue at the following address:

#### **Alankit Assignments Limited**

2E/21, Jhandewalan Extension

New Delhi- 110 055

Telephone: 91-11-42541234

Fax: 91-11-41540064

Email : [mj@alankitonline.com](mailto:mj@alankitonline.com)

Website: [www.alankitonline.com](http://www.alankitonline.com)

Contact Person: Mr. Mahesh Jairath

- It is to be specifically noted that this Issue of PCCPS is subject to the section entitled 'Risk Factors' beginning on page 7 of this Draft Letter of Offer.

The Issue will not be kept open for more than 30 days unless extended, in which case it will be kept open for a maximum of 60 days.

## GENERAL INFORMATION

Dear Shareholder(s),

Pursuant to the resolutions passed by the Board of Directors and the Rights Issue Committee of the Board of Directors at their meetings held on March 5, 2007 and September 24, 2007, respectively it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce:

**ISSUE OF 1,02,82,251\* PARTLY CONVERTIBLE CUMULATIVE PREFERENCE SHARES OF RS. 200 EACH FOR CASH AT PAR AGGREGATING TO RS. 20,564.50\* LAKHS TO THE EQUITY SHAREHOLDERS ON A RIGHTS BASIS IN THE RATIO OF ONE (PARTLY CONVERTIBLE CUMULATIVE PREFERENCE SHARE) FOR EVERY FIVE EQUITY SHARES HELD AS ON THE RECORD DATE. THERE WILL BE ONE DETACHABLE WARRANT FOR EVERY PCCPS AND THE DETACHABLE WARRANT WILL BE ISSUED ON THE PCCPS BECOMING FULLY PAID UP.**

*\*Up to an additional 28,420 PCCPS may be offered pursuant to allotment of up to 1,42,100 Equity Shares due to the vesting of employee stock options under Network 18 Employee-II Schemes. For details refer to the section titled "Capital Structure" beginning on page 57 of this Draft Letter of Offer..*

### Registered Office of the Company

601, 6<sup>th</sup> Floor, Commercial Tower  
Hotel Le Meridien  
Raisina Road, New Delhi 110 001  
Registration Number: U65910DL1996PLC076419

### Address of Registrar of Companies

Registrar of Companies  
National Capital Territory of Delhi and Haryana  
Pariyavaran Bhawan  
Block B, 2<sup>nd</sup> Floor  
CGO Complex  
Lodhi Road  
New Delhi 110 003

### Board of Directors

The following persons constitute our Board of Directors:

Name, Designation and Occupation	Age	Correspondence Address
Mr. Raghav Bahl Managing Director Media Professional DIN: 00015280	46	E-36, Sector 30, Noida, Uttar Pradesh
Ms. Vandana Malik Non-Executive Director Media Professional DIN: 00036382	50	301, Kalpak Bela, 31, Perry Cross Road, Bandra (West), Mumbai
Mr. Sanjay Ray Chaudhuri Non-Executive Director Media Professional DIN: 00015365	41	LG 110, The Laburnum, Sector 28, Block A, Sushant Lok, Gurgaon, Haryana
Mr. P.N. Bahl Non-Executive Director Retired Indian Administrative Service Officer DIN: 00471121	74	14/2, Pleasant Valley, Rajpur Road, P.O , Rajpura Dehradun
Mr. Manoj Mohanka Independent Director	44	9, Lovelock Place, 4th Floor, Flat No.4C, Kolkata

Name, Designation and Occupation	Age	Correspondence Address
Businessman DIN: 00128593		
Mr. G. K. Arora Chairman Independent Director Retired Indian Administrative Service Officer DIN: 00017824	73	House No 181, Sector 15, Noida, Uttar Pradesh

For more details regarding our Directors see section titled “Our Management” on page 124 of this Draft Letter of Offer.

#### **Company Secretary and Compliance Officer**

Ms. Shilpa Aggarwal  
Express Trade Tower  
Plot Nos. 15 and 16  
Sector 16 A, Noida  
Uttar Pradesh 201 301  
Tel: +91 120 434 1818  
Fax: +91 120 432 4110  
Email: [rights.issue@network18online.com](mailto:rights.issue@network18online.com)  
Website: [www.network18.co.in](http://www.network18.co.in)

Investors may contact the Compliance Officer for any pre-Issue / post-Issue related matter.

#### **Issue Management Team**

##### **Lead Manager to the Issue**

**ICICI Securities Limited**  
ICICI Centre,  
H.T. Parekh Marg,  
Churchgate, Mumbai 400 020  
Tel: +91 22 2288 2460  
Fax: +91 22 2283 7045  
E-mail: [network18\\_rights@isecltd.com](mailto:network18_rights@isecltd.com)  
Website: [www.icicisecurities.com](http://www.icicisecurities.com)  
Contact Person: Mr. Rajiv Poddar

##### **Legal Advisor for the Issue**

**Amarchand & Mangaldas & Suresh A. Shroff & Co.**  
**Amarchand Towers**  
216, Okhla Industrial Estate, Phase III  
New Delhi 110 020  
Tel: +91 11 2692 0500  
Fax: +91 11 2692 4900

##### **Auditors of the Company**

**G S Ahuja & Associates**  
Chartered Accountants  
3E/1, Jhandewalan Extension  
New Delhi 110 055  
Tel: +91 11 23675459  
Fax: +91 11 23529495

## **Bankers to the Company**

### **HDFC Bank Limited**

B-7/3, Asaf Ali Road  
New Delhi 110 002  
Contact Person: Mr. Ashish Sood  
Tel: +91 11 4358 4306  
Fax: +91 11 2324 3814  
Email: ashish.sood@hdfcbank.com

### **IDBI Bank Limited**

614, 12<sup>th</sup> Floor, IFCI Tower  
Nehru Place  
New Delhi 110 019  
Contact Person: Ms. Radhika Sapra  
Tel: +91 11 4130 6642 -50  
Fax: +91 11 4130 6650

### **Central Bank of India**

4/18, Asaf Ali Road,  
New Delhi 110 002  
Contact Person: Mr. Ashok Pandya  
Tel: +91 11 2326 4637  
Fax: +91 11 2326 4637

### **Yes Bank Limited**

D12, South Extension Part -II  
New Delhi 110 049  
Contact Person: Ms. Neha Shankar  
Tel: +91 11 4602 9033  
Fax: +91 11 4164 5643  
Email: neha.shankar@yesbank.in

## **Bankers to the Issue**

[●]

## **Registrar to the Issue**

### **Alankit Assignments Limited**

2E/21, Jhandewalan Extension  
New Delhi 110 055  
Telephone: +91 11 4254 1234  
Fax: +91 11 4154 0064  
Email : mj@alankitonline.com  
Website: www.alankitonline.com  
Contact Person: Mahesh Jairath

## **Credit rating**

As this is not an Issue of debt instruments, no credit rating is required.

## **Listing of Securities**

The existing Equity Shares are listed on the BSE and the NSE. The Company has received in-principle approvals from the BSE and the NSE by letters dated [●] and [●] respectively. The Company will make applications to the BSE and the NSE for permission to deal in and for an official quotation in respect of the PCCPS, the Equity Shares pursuant to conversion of Part A of the PCCPS and Detachable Warrants being offered in terms of this Draft Letter of Offer. If the permission to deal in and for an official quotation is not granted of the PCCPS by the stock exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from the applicants pursuant to this Draft Letter of Offer. If such money is not

repaid within eight days after the Company becomes liable to repay it (i.e. 42 days after closure of the Issue), the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest as prescribed under subsections (2) and (2A) of Section 73 of the Act.

### **Issue Schedule**

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

Issue Opening Date:	[•]
Last date for receiving requests for Split Application Forms:	[•]
Issue Closing Date:	[•]

### **Impersonation**

As a matter of abundant caution, attention of the Applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act which is reproduced below:

*“Any person who makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”.*

### **Allotment Letters / Refund Orders**

The Company will issue and dispatch letters of allotment/ PCCPS certificates/ demat credit and/or letters of regret along with refund order or credit the PCCPS to the respective beneficiary accounts, if any, within a period of 42 days from the date of closure of the Issue. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest for the delayed period as prescribed under Section 73 of the Companies Act.

Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (Electronic Clearing Service) except where Applicants are otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS.

In case of those Applicants who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the securities shall be given separately. 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 42 working days of closure of Issue.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form and the Company issues letter of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates. For more information see section titled “Terms of the Issue” on page 25 of this Draft Letter of Offer.

The letter of allotment / refund order exceeding Rs.1,500.00 would be sent by registered post/speed post to the sole/first Applicant's registered address. Refund orders up to the value of Rs.1,500 would be sent under certificate of posting. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked ‘Account Payee only’ and would be drawn in favour of the sole/first Applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

### **Declaration by Board on creation of separate account**

The Board of Directors declares that funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Companies Act.

### **Minimum Subscription**

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the Issue or the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of the Issue. If there is a delay beyond eight days after the date from which the Company becomes liable to pay the amount, the Company shall pay interest for the delayed period as prescribed under Section 73 of the Companies Act.

## CAPITAL STRUCTURE

Our share capital as on the date of this Draft Letter of Offer is set forth below:

*(in Rs. unless otherwise stated)*

Particulars	Aggregate value at face value	Aggregate value at Issue Price
<b>A. Authorised Share Capital</b>		
11,00,00,000 Equity Shares of Rs. 5 each	55,00,00,000.00	
1,20,00,000 Preference shares of Rs. 200 each	2,40,00,00,000.00	
11,00,000 Preference shares of Rs. 100 each	11,00,00,000.00	
<b>B. Current Issued, Subscribed and Paid-Up Capital:</b>		
5,14,11,255 Equity Shares of Rs. 5 each	25,70,56,275.00	
<b>C. Present Issue of PCCPS being offered through this Draft Letter of Offer</b>		
1,02,82,251* PCCPS of Rs. 200 each	2,05,64,50,200.00	2,05,64,50,200.00
<b>D.1. Part Conversion of PCCPS as per the Terms of the Issue</b>		
Issue of Equity Shares assuming full conversion of Part A into 1,02,82,251* Equity Shares of Rs. 5 each <sup>(1)</sup>	5,14,11,255.00	51,41,12,550.00
<b>D.2. Exercise of Detachable Warrants as per the Terms of the Issue</b>		
Issue of Equity Shares assuming full conversion of Detachable Warrants into 1,02,82,251* Equity Shares of Rs. 5 each <sup>(1)</sup>	5,14,11,255.00	[•]
<b>E. Issued, Subscribed and Paid-Up Capital post the Issue and Conversion of Part A and Exercise of the Detachable Warrants:</b>		
7,19,75,757* <sup>(2)</sup> Equity Shares of face value of Rs.5 each	35,98,78,785.00	
1,02,82,251* <sup>(1)</sup> Part B of PCCPS of Rs. 150 each	1,54,23,37,650.00	
<b>F. Share Premium Account</b>		
Prior to the Issue	3,25,83,46,866.00	
Post the Issue <sup>(3)*</sup>	3,72,10,48,161.00	

<sup>(1)</sup> For details of the Terms of the Issue refer to the section titled "Terms of the Issue" beginning on page 25 of this Draft Letter of Offer

<sup>(2)</sup> Assuming full conversion of Part A into 1,02,82,251 Equity Shares and full conversion of the Detachable Warrants into 1,01,72,67 Equity Shares

<sup>(3)</sup> Assuming full conversion of Part A into 1,02,82,251 Equity Shares only. No premium has been assumed on exercise of the Detachable Warrants.

\* Up to an additional 28,420 PCCPS may be offered pursuant to allotment of up to 1,42,100 Equity Shares due to the vesting of employee stock options under Network 18 Employee-II Schemes.

### Changes in the authorised share capital

Date of shareholder approval	Details of modification to the authorised share capital
March 25, 1996	The authorised share capital of the Company was increased from Rs. 1,00,000 divided into 10,000 equity shares of Rs. 10 each to Rs. 25,00,000 divided into 2,50,000 equity shares of Rs. 10 each.
February 19, 2003	The authorised share capital was further increased to Rs. 3,00,00,000 divided into 30,00,000 equity shares of Rs. 10 each.
December 3, 2003	The authorised share capital was further increased to Rs. 10,00,00,000 divided into 50,00,000 equity shares of Rs. 10 each and 5,00,000 preference shares of Rs. 100 each.
February 10, 2005	The authorised share capital was further increased to Rs. 15,00,00,000 divided into 50,00,000 equity shares of Rs. 10 each and 10,00,000

Date of shareholder approval	Details of modification to the authorised share capital
	preference shares of Rs. 100 each.
October 1, 2005	The authorised share capital was further increased to Rs. 26,00,00,000 divided into 50,00,000 equity shares of Rs. 10 each and 21,00,000 preference shares of Rs. 100 each.
July 15, 2006	The authorised share capital was further increased to Rs. 46,00,00,000 divided into 50,00,000 equity shares of Rs. 5 each and 21,00,000 preference shares of Rs. 100 each
October 20, 2006	Pursuant to the Scheme the authorised share capital was of Rs. 46,00,00,000 was re-classified into 7,00,00,000 equity shares of Rs. 5 each and 11,00,000 preference shares of Rs. 100 each.
November 26, 2006	The authorised share capital was further increased to Rs. 3,06,00,00,000 divided into 11,00,00,000 equity shares of Rs. 5 each and 1,20,00,000 preference shares of Rs. 200 each and 11,00,000 preference shares of Rs. 100 each..

## NOTES TO THE CAPITAL STRUCTURE

### 1. Equity share capital history of our Company

(In Rs.)

Date of allotment	No. of equity shares allotted	Face value	Issue price	Cumulative paid-up capital	Consideration	Reasons for allotment
February 16, 1996	200	10	10	2,000.00	Cash	Subscription to Memorandum and Articles of Association
March 31, 1996	1,41,300	10	10	14,15,000.00	Cash	On subscription to Equity Shares.
March 29, 1997	1,08,500	10	10	25,00,000.00	Cash	On subscription to Equity Shares.
March 28, 2003	27,50,000	10	10	3,00,00,000.00	Cash	On subscription to Equity Shares
January 1, 2004	20,00,000	10	10	5,00,00,000.00	Cash	On subscription to Equity Shares
November 14, 2006	2,00,00,000	5	88.57	15,00,00,000.00	Cash	Pursuant to Scheme allotted to RB Investments Private Limited
November 27, 2006	1,99,15,025	5	5	24,95,75,125.00	Pursuant to the Scheme	Pursuant to Scheme allotted to shareholders of TV18
March 28, 2007	29,330	5	16.17	24,97,21,775.00	Cash	Pursuant to the Network 18 ESOP-II Scheme
	29,330	5	43.06	24,98,68,425.00	Cash	
	7,69,200	5	97.31	25,37,14,425.00	Cash	
	1,20,510	5	5	25,43,16,975.00	Cash	
July 5, 2007	4,000	5	27.77	25,43,36,975.00	Cash	Pursuant to the Network 18 ESOP-II Scheme
	4,000	5	53.49	25,43,56,975.00	Cash	

Date of allotment	No. of equity shares allotted	Face value	Issue price	Cumulative paid-up capital	Consideration	Reasons for allotment
	29,330	5	62.42	25,45,03,625.00	Cash	
	29,330	5	84.67	25,46,50,275.00	Cash	
	1,20,600	5	8.26	25,52,53,275.00	Cash	
	1,20,600	5	43.06	25,58,56,275.00	Cash	
	240,000	5	31.67	25,70,56,275.00	Cash	

## 2. Preference share capital history of our Company

(In Rs.)

Date of allotment	No. of preference shares allotted	Face value	Issue price	Cumulative paid-up capital	Consideration
January 1, 2004	5,00,000	100	100	5,00,00,000.00	5,00,00,000.00
February 24, 2005	2,50,000	100	100	7,50,00,000.00	2,50,00,000.00
March 17, 2005	2,50,000	100	100	10,00,00,000.00	2,50,00,000.00
October 10, 2005	10,40,100	100	193.73	20,40,10,000.00	2,015,00,000.00
September 27, 2006	(10,00,000)*	100		(10,40,10,000.00)	(10,00,00,000.00)
September 27, 2006	(10,40,100)**	100		Nil	Nil

\* The Company redeemed 10,00,000 preference shares of Rs. 100 each as per the modified terms of the preference shares

\*\* As per the terms of the Scheme, 10,40,100 preference shares of Rs. 100 each were cancelled. For details on the Scheme, see the section "History and Certain Corporate Matters - Restructuring" beginning on page 96 of this Draft Letter of Offer.

3. Our Promoter group is in control of our Company and has confirmed that they intend to subscribe to the full extent of their entitlement in the Rights Issue. The Promoter group reserves its right to subscribe to its entitlement in this Rights Issue, either individually or a combination of entities controlled by them, including by subscribing for renunciation, if any, made within the Promoter group to another person forming part of the Promoter group. The Promoter group intends to apply for additional PCCPS in the Rights Issue, beyond their Rights Entitlement such that at least 90% of the Rights Issue is subscribed. Further, in the event of any undersubscription in the Rights Issue, the Promoter group intends to subscribe for additional PCCPS beyond their Rights Entitlement. As a result of this subscription and consequent allotment, the Promoter group may acquire PCCPS and Detachable Warrants over and above their entitlement in the Rights Issue, which may result in an increase of the shareholding being above the current shareholding. This subscription and acquisition of additional PCCPS and Detachable Warrants by the Promoter group, if any, will not result in change of control of the management of our Company and shall be exempt from the limits prescribed under Regulation 11 of the Takeover Code in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Code.

As such, other than meeting the requirements indicated in the section titled "Objects of the Issue" beginning on page 59 of this Draft Letter of Offer), there is no other intention/purpose for this Rights Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoter group, in this Rights Issue, the Promoter group's shareholding in the Company exceeds their current shareholding. The Promoter shall subscribe to such undersubscribed portion as per the relevant provisions of the law. Allotment to the Promoter of any undersubscribed portion, over and above his entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

Our Promoter has provided the following undertaking vide their letter dated September 24, 2007 in terms of the SEBI (Delisting of Securities) Guidelines, 2003:

*“I hereby further undertake that, in case the Issue of Network 18 Fincap Limited is completed with me subscribing to Partly Convertible Cumulative Preference Shares and Detachable over and above my Rights Entitlement and as a result, if the public shareholding in the Network 18 Fincap Limited after the Issue falls below the ‘permissible minimum level’ as specified in the listing condition or Listing Agreement, I will either individually or jointly with the Promoter group make an offer for sale of my holdings so that the public shareholding is raised to the ‘permissible minimum level’ within a period of three months from the date of allotment in the proposed Issue, as per the requirements of Clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority.”*

4. Except as disclosed below, our Promoter and our Promoter group have not purchased or acquired any Equity Shares, directly or indirectly, during a period of six months preceding the date on which this Draft Letter of Offer is filed with SEBI.

(In Rs.)

Date	Name of transferor	Name of transferee	Number of Equity Shares sold	Consideration per Equity Share
March 28, 2007*	Mr. Raghav Bahal	Ms. Vandana Malik	60,000	Transfer inter se Promoter group

\* The 60,000 equity shares transferred constitute a part of the 2,47,30,467 being collectively held by Mr. Raghav Bahl, Ms. Ritu Kapur and RB Investments Private Limited, which are subject to lock-in until February 2, 2010.

5. Shareholding pattern of the Company before the Issue, as of August 31, 2007 and after the Issue is as under

S. No.	Shareholders	Pre Issue		Post Issue*	
		No. of Equity Shares	% of pre-Issue capital	No. of Equity Shares	% of post-Issue capital
<b>(A)</b>	<b>Promoter/Promoter Group</b>				
(a)	Mr. Raghav Bahl	1,02,57,189	19.95	[●]	[●]
(b)	Ms. Ritu Kapur	5,22,809	1.02	[●]	[●]
(c)	Ms. Vandana Malik	69,321	0.13	[●]	[●]
(d)	Mr. PN Bahl	35,540	0.07	[●]	[●]
(e)	Ms. Subhash Bahal	35,540	0.07	[●]	[●]
(f)	RB Investments Private Limited	1,47,30,467	28.65	[●]	[●]
	<b>Total shareholding of Promoter/Promoter Group***</b>	<b>2,56,50,866</b>	<b>49.89</b>	[●]	[●]
<b>(B)</b>	<b>Institutions</b>				
<b>1</b>	Mutual Funds /UTI	26,07,166	5.07	[●]	[●]
(a)	Foreign Institutional Investors	62,05,439	12.07	[●]	[●]
(b)	Financial Institutions/ Banks	1,160	0.00	[●]	[●]
(c)	<b>Total shareholding of institutions</b>	<b>88,13,7565</b>	<b>17.14</b>	[●]	[●]
	<b>Non Institutions</b>			[●]	[●]
<b>2</b>	Bodies Corporate	54,72,718	10.64		
(a)	Overseas Corporate Bodies	3,27,690	0.64	[●]	[●]

S. No.	Shareholders	Pre Issue		Post Issue*	
		No. of Equity Shares	% of pre-Issue capital	No. of Equity Shares	% of post-Issue capital
(b)	Individuals/others**	1,11,46,216	21.69	[●]	[●]
(c)	<b>Total shareholding of non institutions</b>	<b>1,69,46,624</b>	<b>32.97</b>	[●]	[●]
	<b>Total</b>	<b>5,14,11,255</b>	<b>100.00</b>	[●]	[●]

\* Will be filled in at the time filing of Letter of Offer.

\*\*\* Pursuant to the requirement of clause 8.3.5.1 of the the SEBI Guidelines the Company has undertaken to lock-in 2,47,30,467 Equity Shares of the Company aggregating to 49.55% of the paid up equity share capital of the Company as on February 2, 2007, collectively held by Mr. Raghav Bahl, Ms. Ritu Kapur, RB Investments Private Limited and Ms. Vandana Malik until February 2, 2010.

## 6. Top ten shareholders

The list of top 10 shareholders of our Company and the number of Equity Shares held by them is as under:

Our top 10 shareholders as on the date of filing of the Draft Letter of Offer were as follows:

S. No.	Name of shareholder	No. of Equity Shares	Shareholding (%)
1.	R B Investments Private Limited	1,47,30,467	28.65
2.	Mr. Raghav Bahl	1,02,57,189	19.95
3.	The Network 18 Trust	51,79,033	10.07
4.	Reliance Capital Limited	31,27,000	6.08
5.	Passport India Investments (Mauritius) Limited	19,58,655	3.81
6.	Quantum (M) Limited	13,47,433	2.62
7.	Reliance Capital Trustee Company Limited A/c Reliance Vision Fund	10,34,332	2.01
8.	Acacia Partners LP	9,71,487	1.89
9.	Fidelity Trustee Company Private Limited A/c Fidelity Equity Fund	6,57,362	1.28
10.	Ritu Kapur	5,74,689	1.12
	<b>Total</b>	<b>3,98,37,647</b>	<b>77.49</b>

Our top 10 shareholders as of ten days prior to the filing of the Draft Letter of Offer were as follows:

S. No.	Name of shareholder	No. of Equity Shares	Shareholding (%)
1.	R B Investments Private Limited	1,47,30,467	28.65
2.	Mr. Raghav Bahl	1,02,57,189	19.95
3.	The Network 18 Trust	51,79,033	10.08
4.	Reliance Capital Limited	31,27,000	6.08
5.	Passport India Investments (Mauritius) Limited	19,58,655	3.81
6.	Quantum (M) Limited	13,47,433	2.62
7.	Reliance Capital Trustee Company Limited A/c Reliance Vision Fund	10,34,332	2.01
8.	Oppenheimer Funds, inc. Oppenheimer International Small Company Fund	7,20,000	1.40
9.	Fidelity Trustee Company Private Limited A/c Fidelity Equity Fund	6,57,362	1.29
10.	Ritu Kapur	5,22,809	1.02
	<b>Total</b>	<b>3,95,34,280</b>	<b>76.90</b>

Our shareholders as of two years prior to the date of filing of this Draft Letter of Offer were as follows:

S. No.	Name of Shareholder	No. of Equity Shares	Shareholding (%)
1.	EMFIN Services India Private Limited	2,500	0.05
2.	Ms. Ritu Kapur	2,47,500	4.95
3.	Mr. Raghav Bahl	47,50,000	95.00
	<b>Total</b>	<b>50,00,000</b>	<b>100.00</b>

7. Our Company, our Directors and the Lead Manager have not entered into any buy-back and / or standby arrangements for purchase of Equity Shares being offered pursuant to this Draft Letter Of Offer.
8. Except as disclosed below, as of August 31, 2007, none of our Directors and key managerial personnel hold any Equity Shares

Name of Director	Number of Equity Shares (Pre-Issue)
Mr. Raghav Bahl	1,02,57,189
Mr. Sanjay Ray Chaudhuri	4,16,086
Mr. P.N. Bahl	35,540
Ms. Vandana Malik	69,321
Mr. Manoj Mohanka	3,00,000

9. The present Issue being a rights issue, as per clause 4.10.1 (c) of the SEBI Guidelines, the requirement of promoters' contribution and lock-in are not applicable.

10. Our Company has through a shareholders resolution dated February 27, 2007 instituted three Employees Stock Option Schemes:

- ESOP Plan A
- ESOP Plan B and
- ESOP Plan C

Pursuant to the above schemes, options to acquire Equity Shares will be granted to eligible employees and Directors of our Company and our holding and subsidiary companies (collectively referred to as "Network 18 ESOS"). The Network 18 ESOS are to be administered by the Compensation and Remuneration Committee of the Board of Directors. 7,00,000 employee stock options have been granted pursuant to the Network 18 ESOS as of the date of this Draft Letter of Offer.

In addition to the Network 18 ESOS disclosed above, pursuant to clause 8.7 of the Scheme, the persons holding employee stock options of TV18 as on October 1, 2005 ("TV18 Eligible Employees"), i.e. the effective date of the Scheme, would be entitled to receive the same benefits being provided to the shareholders of TV18, whereby the TV18 Eligible Employees would receive employee stock options in our Company. Accordingly, the Company has pursuant to the authorization of the shareholders dated February 27, 2007, instituted nine employee stock options schemes (collectively referred to as, "**Network 18 ESOP-II Schemes**").

Pursuant to the above and as per the requirement of clause 22.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline 1999, the Company, as of August 31, 2007, has received an in-principle approval for 36,33,600 options and 28,272 options are pending in-principle approval from the BSE and the NSE. As on the date of this Draft Letter of Offer the Company has granted 26,85,816 options to TV18 Eligible Employees. Of the above employee stock options granted, up to 1,42,100 employee stock options are due to vest until March 31, 2007.

For a comprehensive summary of the key terms of the Network 18 ESOS and the Network 18 ESOP-II Schemes, see the section titled "Our Management- Employee Stock Option Schemes" beginning on page 132 of this Draft Letter of Offer.

11. Except the aforesaid employee stock options to be granted with respect to the Network 18 ESOP –II Schemes, as discussed above, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into Equity Shares.

12. Except the aforesaid employee stock options to be granted with respect to the Network 18 ESOP-II Schemes, there will 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 Draft Letter of Offer with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.

13. Except the aforesaid employee stock options to be granted with respect to the Network 18 ESOP-II Schemes, we presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, 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 issue of bonus or rights or public issue

of shares or any other securities, except that if we enter into acquisitions / expansion/ exploration / development of new / existing projects, we may, subject to necessary approvals, if any, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such ventures within a period of six months from the date of opening of the Issue.

14. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
15. The total number of members of the Company as on August 31, 2007 was 23,617.
16. The Company has not availed of “bridge loans” to be repaid from the proceeds of the Issue for incurring expenditure on the Objects of the Issue.
17. The terms of Issue to Non-Resident Applicants have been presented under the section titled “Terms of the Issue” on page 25 of this Draft Letter of Offer.
18. At any given time, there shall be only one denomination of the Equity Shares of the Company.
19. Except for 19,915,025 Equity Shares allotted to the Shareholders of Television Eighteen India Limited pursuant to the Scheme, our Company has not issued Equity Shares for consideration other than cash or out of revaluation reserves. For details of the Scheme see section titled “History and Certain Corporate Matters - Restructuring” beginning on page 96 of this Draft Letter of Offer.
20. The Issue will remain open for 30 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 60 days from the Issue Opening Date.

## OBJECTS OF THE ISSUE

The objects of the Issue are to:

- a) funding working capital
- b) capital expenditure for the audio and video content business
- c) repay loans availed by the Company
- d) further investments in media and allied sectors
- e) general corporate purposes.

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

The net proceeds of the Issue after deducting expenses for the Issue are estimated at Rs. [●] lakhs. The following table summarizes the intended use of net proceeds:

*(In Rs. lakhs)*

S. No.	Proposed Expenditure Program	Estimated cost
1.	<b>Total Proceeds</b>	[●]
2.	Issue expenses	900.00
3.	<b>Net Proceeds</b>	[●]
4.	Funding working capital	6,928.00
5	Capital expenditure for the audio and video content business	1000.00
6.	Repayment of loans	6,088.00
7.	Investments in media and allied sectors	3,500.00
8.	General corporate purposes	[●]
	<b>Total</b>	[●]

The entire requirements of the objects detailed above are intended to be funded from the net proceeds of the Issue. Accordingly, the Company confirms that there is no requirement for it to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue. The Company also confirms that no amount has been spent on these projects as on date.

The fund requirements described above are based on management estimates and the Company's current business plan and have not been appraised by any bank or financial institution. In view of the dynamic nature of the content production and media industry and on account of new projects that the Company may pursue, including potential acquisition opportunities in the media and allied sectors, the Company may have to revise its expenditure estimates as a result of variations in the cost structure, changes in time schedules of various audio and video content projects, changes in estimates, and external factors, which may not be within the control of the management of the Company. This may entail rescheduling or revising the planned expenditure and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of the Company's management..

### **I. Repayment of loans availed by the Company**

Our Company has entered into various financing arrangements with a number of banks and financial institutions. Set out below is a brief summary of the loans availed by the Company.

*(In Rs. Lakhs)*

Sl. No.	Name of Lender	Term loan facility
1.	Birla Global Finance Company Limited	600.00
2.	Cholamadalam DBS	1,000.00
3.	DSP Merrill Lynch Capital Limited	1,200.00

Sl. No.	Name of Lender	Term loan facility
4.	DSP Merrill Lynch Capital Limited	7,00.00
5.	HDFC Limited	7,00.00
6.	Infrastructure Leasing and Financial Services Limited	1,100.00
7.	Kotak Mahindra Prime Limited	500.00
8.	Kotak Mahindra Prime Limited	500.00
9.	SICOM Limited	1,000.00
10.	Yes Bank Limited	1,500.00
	<b>Total</b>	<b>8,800.00</b>

For further details in regarding the above facilities, see section titled “Financial Indebtedness” beginning on page 277 of this Draft Letter of Offer.

As on September 24, 2007 the amount outstanding from the Company under these facilities was Rs. 8,525.50 lakhs, of which we intend prepay Rs.6,088.00 lakhs from the net proceeds of the Issue.

Some of the financing arrangements of our Company contain provisions relating to prepayment penalties. Our Company will take these provisions into consideration in prepaying debt from the proceeds of the Issue. In the event of any surplus with respect to the proceeds of the Issue, our Company will, in accordance with the policies established by the Board, have flexibility in applying such surplus towards further repayment of debt or for general corporate purposes. Our Company has presently not approached any of the lenders and proposes to approach the banks/financial institutions/lenders or clients after the completion of this Issue for pre-payment of some of the above high-cost loans/advances.

The entire amount of Rs. 6,088.00 lakhs is intended to be deployed in Fiscal 2008.

## II. Funding working capital

Our existing working capital requirements and the funding for the same is as follows:

<b>Particulars as on March 31, 2007</b>		<i>(In Rs. Lakhs)</i>
Current Assets:		<b>4714.29</b>
Inventories	2560.31	
Debtors	462.10	
Cash and bank balances	1477.41	
Loans and advances	214.47	
Current Liabilities:	816.64	<b>816.64</b>
Total Working Capital Requirements		<b>3897.65</b>
<b>Funding Pattern</b>		
Working Capital facilities		
Yes Bank	363.79	
Own funds	3533.86	
<b>Total</b>		<b>3897.65</b>

Our Company intends to enter into the audio and video content production business for which our expected working capital requirements are as follows:

<b>Particulars as on March 31, 2009</b>		<i>(In Rs. Lakhs)</i>
Current Assets:		<b>8,054.00</b>
Inventories		
Finished Goods	1,216.00	
Work in Progress	538.00	
Debtors	5,787.00	
Other Current Assets	513.00	
Current Liabilities	1,126.00	<b>1,126.00</b>
Total Working Capital Requirements		<b>6,928.00</b>

<b>Particulars as on March 31, 2009</b>	
<b>Proposed Funding Pattern</b>	
Part Proceeds of the Issue	6,928.00
<b>Total</b>	<b>6,928.00</b>

Assumptions for Working Capital Requirements

Particulars	Number of days outstanding
Debtors	137
Inventories	41
Other Current Assets	12
Current Liabilities	27

### III. Capital expenditure for the audio and video content business

Our Company proposed to invest Rs. 906.50 lakhs towards the office, equipment and other infrastructure for our audio and video content business. The broad estimated outlay of capital expenditure from the proceeds of the Issue is as follows:

Sl. No.	Particulars	Qty	Estimated Amount	(Rs. in Lakhs)	
				Estimated Expense as of March 31,	
				2008	2009
1.	Interior & Civil work	N.A	50.00	7.50	42.50
2.	HVAC, Electricals and UPS	N.A	72.00	0.00	72.00
3.	Furniture and Fixtures	N.A	24.00	0.00	24.00
4.	Fire and Security	N.A	10.00	0.00	10.00
5.	Compactors for library	N.A	6.00	0.00	6.00
6.	EPBX and Networking	N.A	18.50	0.00	18.50
7.	Precision AC	N.A	9.00	0.00	9.00
8.	Generator Back up	N.A	25.00	0.00	25.00
	<b>SUB TOTAL</b>		<b>214.50</b>	<b>7.50</b>	<b>207.00</b>
9.	Computers	40	14.40	7.20	7.20
10.	Edit suites for post production	25	64.00	0.00	64.00
11.	Video over Recording	1	9.00	0.00	9.00
12.	Promo edit suites	26	284.20	0.00	284.20
13.	Transfer and edit	12	120.40	0.00	120.40
	<b>SUB TOTAL</b>		<b>492.00</b>	<b>7.20</b>	<b>484.80</b>
<b>Expenditure for Mobile Equipment</b>					
14.	Outdoor Production Van/Vehicles	1	200.00	0.00	200.00
<b>Provision for Contingencies</b>					
15.	Provision for Contingencies and Escalation	N.A	93.50	0.00	93.50
	<b>TOTAL</b>		<b>1,000.00</b>	<b>14.70</b>	<b>985.30</b>

The estimates for the expenditure on office and interiors are based on management estimates. The purchase of equipment and software are based on quotes received from the suppliers of such equipment based on requirements for technology currently available. In the event of technological changes or upgradations, our management may place orders for equipment other than those detailed above, based on requirements on such date. We have not executed any agreements nor placed any orders for the supply of equipment mentioned above and are unable to confirm the expected dates of supply of such equipment.

### **Schedule of Implementation:**

The estimated schedule of implementation of our proposed capital expenditure is as follows:

<b>Sl. No.</b>	<b>Particulars</b>	<b>Estimated time of completion</b>
1.	Expenditure for Office and Interiors	March 2009
2.	Expenditure for Equipment	March 2009
3.	Expenditure for Mobile Equipment (Vehicle)	March 2009

### **III. Further investments in media and allied sectors**

Going forward, our Company believes that strategic investments and acquisitions in the media and allied sectors may act as an enabler to growing its business. We feel that our efforts at diversifying into new businesses or into new markets can be facilitated as demonstrated in the past by making acquisitions of existing media and allied sector based businesses and companies, whose operations, resources, capabilities and strategies are complementary to and our Group operations. We may make these strategic investments either directly or through our subsidiary companies, depending on the investment opportunity and group synergies. We intend to use approximately Rs. 3,500.00 lakhs of net proceeds of the Issue for such investments/acquisitions/strategic alliances. As of the date of this Draft Letter of Offer, we have not identified any strategic investment opportunities for which we would like to use proceeds of the Issue. In the event that we enter into a definitive agreement for any such acquisition or investments or joint ventures or strategic alliances after the date of this Draft Letter of Offer and before the date of the Letter of Offer, we shall update this information in the Letter of Offer.

Our evaluation criteria for new opportunities include the synergies with our Group and its extant businesses, the cost of such investments/acquisitions and the quality of the operations.

### **V. General corporate purposes**

We intend to use a part of the net proceeds of the Issue, being approximately Rs. 3,345.36 lakhs, toward general corporate purposes to drive our business growth. The management of our Company, in accordance with the policies of the Board, will have the flexibility in utilizing any surplus amounts from the net proceeds of the Issue.

The entire amount of Rs. [●] lakhs is intended to be deployed in Fiscal 2008.

### **Appraisal Reports**

None of the objects for which the net proceeds of the Issue will be utilised have been financially appraised and the estimates of the costs of projects mentioned above are based on consideration payable for contracts already executed by the Company and internal estimates of the Company.

### **Issue Related Expenses**

We have estimated Rs. 900.00 lakhs for the purpose of meeting the issue expenses.

### **Interim Use of Proceeds**

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks, for the necessary duration or for reducing overdraft to save interest costs. Such investments would be in accordance with investment policies approved by our Board of Directors from time to time.

### **Monitoring of Utilisation of Funds**

Our Board will monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our Balance Sheet till such time the proceeds of the Issue have

been utilised, clearly specifying the purpose for which such proceeds have been utilized clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet till such time the proceeds of the Issue have been utilised, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

No part of the proceeds of the Issue will be paid by us as consideration to our Promoters, our directors, key management personnel or Promoter group companies

## BASIS FOR ISSUE PRICE

Investors are advised to read the sections titled Risk Factors on page 7 and Financial Statements on page 158 of the Draft Letter of Offer to have a more informed view before making the investment decision.

### Qualitative Factors

- Our operations are focussed on the audio visual content space where the expertise of the Group lies.
- We have forayed into the event management business to exploit Group synergies.
- Through our subsidiary TV18 we own and operate India's leading business channels and internet portals.
- We have substantial investment in GBN which owns one of India's leading 24-hour English language news and current affairs channels 'CNN-IBN'
- Our management has strength in the media and entertainment sectors and has a track record of setting up and operating successful ventures in media, entertainment and allied sectors.

### Quantitative factors

The Information presented in this section is derived from our unconsolidated restated financial statements prepared in accordance with Indian GAAP.

#### 1. Adjusted Earnings per share

Year	EPS (in Rs)	Weight
Fiscal 2005	(5.06)	1
Fiscal 2006	(8.24)	2
Fiscal 2007	(3.01)	3
Weighted Average	(5.09)	

#### 2. Our company had EPS of Rs. (3.01) for the period ended March 31, 2007

#### 3. Return on Net Worth ("RONW")

Year	RONW (%)	Weight
Fiscal 2005	(20.42)	1
Fiscal 2006	(14.04)	2
Fiscal 2007	(3.47)	3
Weighted Average	(9.82)	

Since our company had a negative RONW for the years ended March 31, 2007, March 31, 2006 and March 31, 2005 the weighted average RONW is not a meaningful quantitative measure.

#### 4. Return on Average Net Worth:

Year	RONW %
Period ended March 31, 2007	(3.47)

Minimum Return on Total Net Worth needed after the Issue to maintain EPS at Rs. (1.95) per equity share is [●]

#### 5. Net Asset Value

(i) The diluted net asset value per Equity Share share, according to our audited financial statements as of March 31, 2007 was Rs. 55.90.

(ii) The Net Asset Value per Equity Share after the Conversion of Part A into Equity [●]

(iii) Conversion price for the Part A of the PCCPS is Rs. 50.00

## 6. Trading History

Our Company was listed on February 2, 2007. The high and low prices and volume of Equity Shares traded on the respective dates during the last six months are as follows:

### NSE

Month, Year	High (Rs.)	Date of High*	Volume on date of high (no. of shares)	Low (Rs.)	Date of low*	Volume on date of low (no. of shares)	Volume of trade on monthly basis
March, 2007	359.4	March 9, 2007	70,686	309.3	March 21, 2007	76,121	1,598,229.00
April, 2007	396	April 27, 2007	1,79,189	280	April 2, 2007	28,411	1,137,746.00
May, 2007	631.2	May 23, 2007	4,22,001	391	May 3, 2007	19,71,221	16,525,951.00
June, 2007	551.3	June 25, 2007	1,49,600	448.7	Jun 13, 2007	1,18,889	1,668,822.00
July, 2007	523.8	July 4, 2007	63,672	422.2	July 30, 2007	40,633	776,566.00
August, 2007	445	August 8, 2007	65,499	327	August 24, 2007	1,24,569	789,529.00

\* In the event the high and low price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.

### BSE

Month, Year	High (Rs.)	Date of High*	Volume on date of high (no. of shares)	Low (Rs.)	Date of low*	Volume on date of low (no. of shares)	Volume of trade on monthly basis
March, 2007	358.40	March 9, 2007	51,294	316.00	March 5, 2007	66,056	11,79,373
April, 2007	399.00	April 27, 2007	1,06,743	316.00	April 2, 2007	7,573	4,25,541
May, 2007	629.60	May 23, 2007	2,95,956	380.00	May 3, 2007	26,64,249	1,07,46,395
June, 2007	550.40	June 25, 2007	75,853	447.10	June 13, 2007	68,086	8,62,388
July, 2007	524.00	July 2, 2007	7,882	420.00	July 30, 2007	22,540	3,46,832
Aug, 2007	434.90	August 2, 2007	1,65,292	328.00	August 24, 2007	2,30,889	7,32,174

\* In the event the high and low price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.

The closing market price was Rs. 341.45 on BSE on March 6, 2007, the trading day immediately following the day on which Board meeting was held to approve the Issue.

The closing market price was Rs. 341.65 on NSE on March 6, 2007, the trading day immediately following the day on which Board meeting was held to approve the Issue.

7. We are an investment company focusing on media and other entertainment business. We are registered as an NBFC with the RBI. Hence, we do not have similar listed companies to form a peer group.

## STATEMENT OF TAX BENEFITS

September 22,2007

Network 18 Fincap Limited  
601 , 6<sup>th</sup> Floor , Commercial Tower  
Hotel Le Meridien  
Raisina Road ,New Delhi

Sirs,

We hereby confirm that the enclosed Annexure A states the possible tax benefits available to **Network 18 Fincap Limited** ( 'the company ' ) and its shareholders ( including Preference Shareholders) under the Income Tax Act, 1961 , the Wealth Tax Act, 1957 and the Gift Tax Act,1958, presently in force in India . Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence , the ability of the company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the company faces in the future, may or may not choose to fulfil .

The benefits discussed below are not exhaustive . This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences , the changing tax laws and the fact that the 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 as 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 and should be read together with notes given at para 5 of the Annexure.

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

This certificate is provided solely for the purpose of assisting the addressee company in discharging its responsibilities under the Securities and Exchange Board of India ( Disclosure and Investor Protection ) Guidelines 2000 .

For G S Ahuja & Associates  
Chartered Accountants

G S Ahuja  
Proprietor

New Delhi  
Membership No. 87732

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

**A) Business Income:**

**A.i. Depreciation**

The Company is entitled to claim depreciation on specified tangible (being Buildings, Plant & Machinery, Computer and Vehicles) and intangible assets (being Knowhow, Copyrights, Patents, Trade marks, Licenses, Franchises or any other business or commercial rights of similar nature acquired on or after 1st April, 1998) owned by it and used for the purpose of its business under section 32 of the Act.

In case of any new plant and machinery (other than ships and aircraft) that will be acquired and installed by the Company engaged in the business of manufacture or production of any article or thing, the Company will be entitled to a further sum equal to twenty per cent of the actual cost of such machinery or plant subject to conditions specified in section 32 of the Act.

Unabsorbed depreciation if any, for an Assessment Year (AY) can be carried forward & set off against any source of income in subsequent AYs as per section 32 (2) subject to the provisions of sub-section (2) of section 72 and sub-section (3) of section 73 of the Act.

**A.ii. Preliminary Expenditure:**

As per Section 35D, the Company is eligible for deduction in respect of specified preliminary expenditure incurred by the Company in connection with extension of its industrial undertaking or in connection with setting up a new industrial unit for an amount equal to 1/5th of such expenses over 5 successive AYs subject to conditions and limits specified in that section.

**A. iii Expenditure incurred on voluntary retirement scheme:**

As per Section 35DDA, the Company is eligible for deduction in respect of payments made to its employees in connection with his voluntary retirement for an amount equal to 1/5th of such expenses over 5 successive AYs subject to conditions specified in that section.

**A.iv Expenditure on Scientific Research:**

As per Section 35, the Company is eligible for –

(a) Deduction in respect of any expenditure (not being in the nature of capital expenditure) on scientific research related to the business subject to conditions specified in that section.

(b) As per section 35(2AA) a deduction of 125% shall be allowed as a deduction of the sum paid by the Company, to a National Laboratory [or a University or an Indian Institute of Technology or a specified person as specified in this section] with a specific direction that the sum shall be used for scientific research undertaken under a programme approved in this behalf by the specified authority subject to conditions specified in that section.

**A.v. Carry forward of business loss**

Business losses if any, for any AY can be carried forward and set off against business profits for eight subsequent AYs.

**A. vi. MAT Credit:**

As per section 115JAA(1A), the Company is eligible to claim credit for Minimum Alternate Tax ("MAT") paid under sub-section (1) of section 115JB for any AY commencing on or after April 1, 2006 against normal income tax payable in subsequent AYs. MAT credit shall be allowed under sub-section (1A) shall be the difference of the tax paid for any assessment year under sub-section (1) of section 115JB and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of this Act.

The amount of tax credit determined shall be carried forward and set off up to 7 (seven) AYs immediately succeeding the assessment year in which tax credit becomes allowable.

All the deductions mentioned above, will result into reduction in tax liability of the Company.

## **B) Capital Gains :**

**B. i.** Capital asset means property of any kind held by an assessee whether or not connected with his business or profession but does not include any stock-in-trade, consumables stores or Raw Materials held for the purpose of his business or profession and personal effects ie movable property held for personal use.

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 of UTI or units of mutual fund specified under section 10 (23D) or zero coupon bond will be considered as long term capital assets if they are held for a period exceeding twelve months. In case of all other assets if the period of holding exceeds thirty six months they are termed as long term capital assets.

### **B. ii.**

#### **a.Long term Capital Gain (LTCG)**

LTCG means capital gain arising from the transfer of a long term capital asset.

#### **b. Short Term Capital Gain (STCG)**

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

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

**B. iii.** LTCG arising on transfer of equity share in a company or units of an equity oriented fund (as defined) which has been set up under a scheme of a Mutual Fund specified under Section 10 (23D), on a recognized stock exchange on or after October 1, 2004 are exempt from tax under Section 10(38) of the Act provided the transaction is chargeable to securities transaction tax (STT) and subject to conditions specified in that section. However, the income by way of long term capital gain of a Company exempted under section 10 (38) shall be taken into account in computing book profit and income tax payable under section 115JB @ 10% plus applicable surcharge and education cess on tax plus Surcharge (if any) {hereinafter referred to as applicable SC+ EC}.

**B. iv.** As per second proviso to section 48, LTCG arising on transfer of capital assets, other than bonds and debentures excluding capital indexed bonds issued by Government, is to be computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration.

**B.v.a** As per section 112, LTCG is taxed @20% plus applicable SC +EC.

**B.v.b** However as per proviso to section 112(1), if such tax payable on transfer of listed securities /units /Zero coupon bonds exceeds 10% of the LTCG, without availing benefit of indexation, the excess tax will be ignored.

**B.vi.** As per section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund (as defined) under Section 10(23D), on a recognized stock exchange are subject to tax at the rate of 10 per cent (plus applicable SC + EC), provided the transaction is chargeable to STT.

**B.vii.** As per section 71 read with section 74, Short-term capital loss arising during a year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, should be carried forward and set-off against short-term as well as longterm capital gains for subsequent 8 years.

**B.viii.** As per section 71 read with section 74, Long-term capital loss arising during a year is allowed to be set-off only against long-term capital gains. Balance loss, if any, should be carried forward and set-off against subsequent year's long-term capital gains for subsequent 8 years.

**B.ix.** Under section 54EC of the Act, capital gains arising on the transfer of a long-term capital asset will be exempt from capital gains tax if such capital gains are invested within a period of 6 months after the date of such transfer in specified bond issued by the following and subject to the conditions specified therein –

- National Highways Authority of India constituted under section 3 of National Highways authority of India Act, 1988.
- Rural Electrification Corporation Limited, a Company formed and registered under the Companies act, 1956

If only part of the capital gains is so reinvested, the exemption shall be proportionately reduced. However, after 1st April, 2007, to avail the benefit of section 54EC, the investment made in specified long term bonds should not exceed Rupees Fifty Lacs.

If the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted shall be taxable in the year of transfer.

## **C) Income from Other Sources**

### **Dividend Income:**

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

Income received in respect of units of a Mutual Fund specified under Section 10(23D) of the Act shall be exempt from tax under Section 10(35) of the Act, subject to such income not arising from transfer of units in such Mutual Fund.

## **2. Key benefits available to the Members of the Company**

### **2.1 Resident Members**

#### **2.1.a Dividend income:**

Dividend (both interim and final) income, if any, received by the resident shareholder from a domestic Company is exempt under Section 10(34) read with Section 115O of the Act.

#### **2.1.b Capital gains:**

i. Benefits outlined in Paragraph 1(B) above are also applicable to resident shareholders. In addition to the same, the following benefits are also available to resident shareholders.

ii. As per Section 54F of the Act, LTCG arising to individual and HUF from transfer of shares will be exempt from tax if net consideration from such transfer is within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer and subject to conditions and to the extent specified therein.

#### **2.1. c Clubbing of Income:**

Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act.

### **2.1.d Rebate:**

In terms of Section 88E of the Act, STT paid by a shareholder in respect of taxable securities transactions (i.e. transaction which is chargeable to STT) entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions subject to conditions and limits specified in that section.

## **2.2 Key Benefits available to Non-Resident Member**

### **2.2.a Dividend income:**

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

### **2.2.b Capital gains:**

Benefits outlined in Paragraph 2.1(b) above are also available to a non-resident shareholder except that as per first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation as provided in second proviso to section 48 is not available to non-resident shareholders.

### **2.2.c Rebate:**

Benefits outlined in Paragraph 2.1.d above are also applicable to the non-resident shareholder.

### **2.2.d Tax Treaty Benefits:**

As per Section 90 of the Act, the shareholder can claim relief in respect of double taxation if any as per the provision of the applicable double tax avoidance agreements.

### **2.2.e Special provisions in respect of income / LTCG from specified foreign exchange assets available to Non resident Indians under Chapter XII-A**

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

**2.2.e.ii.** Specified foreign exchange assets include shares of an Indian Company acquired/purchased/subscribed by NRI in convertible foreign exchange.

**2.2.e.iii.** As per section 115E, income [other than dividend which is exempt under section 10(34)] from investments and LTCG from assets (other than specified foreign exchange assets) shall be taxable @ 20% (plus applicable SC + EC). No deduction in respect of any expenditure allowance from such income will be allowed and no deductions under chapter VI-A will be allowed from such income.

**2.2.e.iv.** As per section 115E, LTCG arising from transfer of specified foreign exchange assets shall be taxable @ 10% (plus applicable SC + EC).

**2.2.e.v.** As per section 115F, LTCG arising from transfer of foreign exchange assets shall be exempt in the proportion of the net consideration from such transfer being invested in specified assets or savings certificates within six months from date of such transfer, subject to further conditions specified under section 115F.

**2.2.e.vi.** As per section 115G, if the income of a NRI taxable in India consist only of income/ LTCG from such shares and tax has been properly deducted at source in respect of such income in accordance with the Act, it is not necessary for the NRI to file return of income under section 139.

**2.2.e.vii.** As per section 115H of the Act, when a non-resident Indian become assessable as a resident in India, he/she is entitled to furnish a declaration in writing to the Assessing Officer along with the return of income to the effect that the provisions of 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 transferred or otherwise converted into money.

**2.2.e.viii** As per section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing the return of income for that year under Section 139 of the 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 Act.

**2.2.f.** Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act.

### **2.3 Key Benefits available to Foreign Institutional Investors (FIIs)**

#### **2.3.1 Dividend income:**

Dividend (both interim and final) income, if any, received by the shareholder from the domestic Company shall be exempt under Section 10(34) with Section 115O of the Act.

#### **2.3.2 Capital Gains:**

i. Under Section 115AD, income (other than income by way of dividends referred in Section 115-O) received in respect of securities (other than units referred to in Section 115AB) shall be taxable at the rate of 20% (plus applicable SC & EC). No deduction in respect of any expenditure /allowance shall be allowed from such income.

ii. Under Section 115AD, capital gains arising from transfer of securities (other than units referred to in Section 115AB), shall be taxable as follows:

- As per section 111A, STCG arising on transfer of securities where such transactions is chargeable to STT, shall be taxable at the rate of 10% (plus applicable SC & EC). STCG arising on transfer of securities where such transaction is not chargeable to STT, shall be taxable at the rate of 30% (plus applicable SC & EC)

- LTCG arising on transfer of securities where such transaction is not chargeable to STT, shall be taxable at the rate of 10% (plus applicable SC & EC). The benefits, as mentioned under 1st and 2nd proviso to section 48 would not be allowed while computing the capital gains.

#### **2.3.3. Exemption of capital gains from Income tax**

**2.3.3.i.** LTCG arising on transfer of securities where such transaction is chargeable to STT is exempt from tax under Section 10(38) of the Act.

**2.3.3 ii.** Benefit of exemption under Section 54EC shall be available as outlined in Paragraph 1(B)(ix) above.

#### **2.3.4 Rebate**

Benefit as outlined in Paragraph 2.1.c above are also available to FIIs.

#### **2.3.5 Tax Treaty Benefits**

As per Section 90 of the Act, a shareholder can claim relief in respect of double taxation, if any, as per the provisions of the applicable double tax avoidance agreements.

### **2.4 Key Benefits available to Mutual Funds**

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, the Mutual Funds set up by

public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

## **2.5 Key Benefits available to Venture Capital Companies/Funds**

As per the provisions of section 10(23FB) of the Act, income of

- Venture Capital Company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and
- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette set up for raising funds for investment in a Venture Capital Undertaking, is exempt from income tax.
- However, the income distributed by the Venture Capital companies/funds to its investors would be taxable in the hands of recipient.

## **3. Wealth Tax Act, 1957**

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

## **4. The Gift Tax Act, 1957**

Gift of shares of the Company made on or after October 1, 1998 are not liable to Gift tax.

## **5. Notes:**

- a) All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by joint holders. Some or all of the tax consequences may be modified or amended by future amendments to the Tax laws.
- b) In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile.
- c) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue
- d) The above Statement of Possible Direct Tax Benefits sets out the provisions of law in summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

## INDUSTRY OVERVIEW

Unless otherwise indicated, industry data used throughout this document has come from industry and company sources including the following publications:

*The Indian Entertainment and Media Industry*, FICCI PricewaterhouseCoopers, March 2007 ('FICCI-PWC Report 2007')<sup>1</sup>

*Bollywood - Emerging Business Trends and Growth Drivers*, FPGI Yes Bank, May 2005

### Audio-Video Content Creation

Apart from the film distribution channel through theatres television is the primary medium to showcase audio and video entertainment content

The television software refers to the content aired by television channels. This software can be broadly classified into four categories;

- Movies
- News, current affairs, documentaries
- Live events such as sports, beauty pageants etc.
- Programming content
- Fiction viz. soaps, thrillers, sitcoms, fantasy, etc.
- Non Fiction :viz.. talk shows, music countdown, game shows

The television software is critical for broadcasting channels with the growing loyalty of viewers to programs over channels. The television software industry has grown in conjunction with the television broadcasting industry. This growth in number of channels has resulted in an exponential growth of demand for television software. Key factors for the growth of television software industry are:

- The increasing focus of the private channels on the vast latent and untapped potential of viewership in the Indian subcontinent
- Successful Positioning of satellite channels as telecasters of general entertainment
- Increased cable viewership base has resulted in higher penetration of satellite channels to television viewer households
- Preferences of Indian audiences for the native language programs have exponentially increased the demand for regional programs, given multi-culture and multi-lingual demography of India. Increase in non-resident Indian population and popularity of Indian programs overseas
- Advent of newer medium of delivery of program content. This is particularly true of internet service providers who are entering into arrangements with content providers. When webcasting (telecasting programs over the Internet) becomes viable, this would open up another source of demand for software. Mobile service is another medium to deliver audio and video content which represents tremendous potential with increasing mobile penetration in India.

### The Indian Broadcasting Industry

The Indian broadcasting industry has come a long way from the commencement of *Doordarshan's* operations in 1959. The Indian entertainment industry is currently estimated to be Rs. 43,700.00 crores in terms of revenues (2006 estimates). The growth in this sector can be attributed to enabling regulatory environment and the innovation in technology. The entertainment industry is expected to grow annually at almost 18% to reach Rs. 85,070.00 crores by 2010. [Source: March 2007 FICCI PwC Report on 'The Indian Entertainment and Media Industry' (Source: FICCI PwC Report<sup>1</sup>)]

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<sup>1</sup> Disclaimer in the FICCI PwC Report, 2007: This Report has been prepared on the basis of information obtained from key industry players, trade associations, government agencies, trade publications and various industry sources specifically mentioned in the report. While due care has been taken to ensure the accuracy of the information contained in this Report, no warranty, expressly or implied, is being made or will be made, by FICCI or PricewaterhouseCoopers Private Limited, India (PwC) as regards the accuracy or adequacy of the

The entertainment industry has been aided by the fact that India has been the second fastest growing economy in the world. As the Indian economy continues growing, the Indian middle class has also expanded significantly. Consequently, a 300 crore strong Indian middle class is able to allocate a higher percentage of its monthly expenditure on entertainment. There is an increase in the direct consumer spends on entertainment and advertising revenues have also been on the rise. The Indian television entertainment industry has been growing from strength to strength with total revenues currently being approximately Rs. 19,120.00 crores and are expected to go up to Rs. 51,900.00 crores by 2011. (Source: FICCI PwC Report).

According to the 2006 NRS figures India is the third-largest cable television viewing nation in the world after China and the US with approximately 680 lakh cable television households. Television currently has the highest reach among the primary media delivery channels as highlighted below:

**Reach among primary media delivery channels**

Socio Economic Classification	Media Reach (%)					
	Press	Television	C&S Television	Radio	Cinema	Internet
A1	93%	96%	85%	37%	30%	31%
A2	88%	94%	78%	31%	25%	19%
B1, B2	78%	90%	68%	24%	19%	8%
C	66%	85%	60%	23%	18%	4%
D	50%	76%	49%	21%	17%	1%
E1, E2	27%	62%	37%	16%	15%	1%

Source: IRS 2006, Round 1

The above figures represent percentage reach of each medium in the respective Socio Economic Classification (SEC) in urban India. For definition of Media Reach, see section titled “Definitions and Abbreviations” beginning on page 2 of this Draft Letter of Offer.

Television’s share of overall advertising spending has also increased consistently over the last few years relative to the primary media delivery channels. During the year 2005, the television sector in India accounted for approximately 42% of the total advertisement pie, as compared to 47% for print media, according to ‘The Businessworld Marketing Whitebook 2005-2006’.

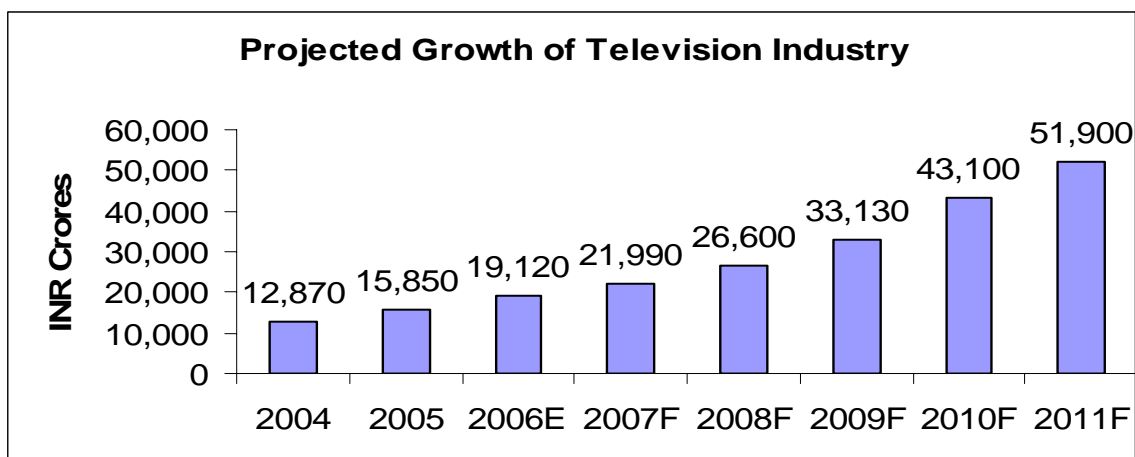
The Indian broadcasting industry comprises terrestrial broadcasters, cable and satellite broadcasters and foreign cable and satellite broadcasters. The cable and satellite broadcasters use satellite equipment to broadcast their channels to the cable operators, which are then distributed to consumer households through ground-based cable distribution systems. The industry is also witnessing an increase in the adoption of direct to home broadcasting as an alternative platform for satellite broadcasting. Another alternate platform, which is all set to make its foray in India, is Internet Protocol Television (IPTV).

**Structure of the Indian Television Industry**

Television remains the most popular media channel for Indian households and the favourite form of media entertainment for the Indian population, compared to press, cinema and radio. The market has experienced significant growth since the industry was deregulated in 1992 and the Indian television entertainment industry has estimated annual revenues of Rs. 19,120.00 crores approximately. (Source: FICCI-PwC Report 2007).

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information contained in the report. No responsibility is being accepted or will be accepted by FICCI or PwC, for any consequences, including loss of profits, that may arise as a result of any consequences, including loss of profits that may arise as a result of errors or omissions in this report. This Report is only intended to be a general guide and professional advice should be sought before taking any action on any matter.



Source :FICCI-PWC Report 2007

Despite this strong growth, television penetration stands at approximately 35 % of households, almost half that of developed markets. Furthermore, television as a form of entertainment is cheap relative to other markets (U.S.\$3 per month in India compared to an estimated U.S.\$30 per month in the US). With rising income levels, increasing access to electricity (especially in rural areas), falling prices for television sets and the continued delivery of quality content, Indian television penetration is expected to continue to increase over the coming years.

The television market is divided into three categories: terrestrial television, cable television and direct to home broadcasting.

1. **Terrestrial television:** The state-run monopoly Prasar Bharti Corporation through Doordarshan is the only terrestrial broadcaster in India. Doordarshan was formed in 1959. Doordarshan has installed transmitters nation-wide for terrestrial broadcasting and today offers viewers a total of 19 channels comprising two national channels, 14 regional channels and three international channels.
2. **Cable television:** The Indian cable television industry originated in the mid-1980s when entrepreneurs began wiring households to offer local video channels. The current structure of the Indian cable television industry can be divided into four layers - broadcasters, Multi System Operators (MSOs), local cable operators and end user households. Broadcasters transmit the channels via satellite signals. MSOs are wholesale content distributors and are mainly cable television companies which receive broadcast signals from satellites at their headends and further distribute them to various smaller regional and local cable operators. Local cable operators are small content distributors with regional or local coverage who own and control the last mile connection to the households within their operating area. They receive content from MSOs and distribute them to the end user households, which are the fourth and bottom layer of the industry. The households, or viewers, pay monthly cable charges, determined by the local cable operators, for receiving cable television service in their homes.

Over the last decade, the cable industry has evolved into a highly fragmented structure. It is estimated that there are near 30,000 local cable operators across India, and this large and unregulated layer contributes to the fragmented nature of the Indian cable television industry. This fragmented industry structure gives rise to a significant lack of accountability, particularly at the local cable operator level. It is believed that local cable operators generally engage in material under-declaration of subscriber numbers making it difficult for broadcasters to obtain a meaningful share of pay revenues.

3. **Direct to Home Broadcasting (DTH):** DTH broadcasting utilizes a dish antenna that is available at the viewer's premises and is capable of directly receiving television signals from the broadcast satellite. DTH broadcasting can be provided directly to consumer households through addressable equipment that enables consumers to receive and view the downlink signal from the satellites.

*There has been an advent of new distribution mechanisms for media content such as*

- ***IPTV:*** The IP refers to a method of sending information over a secure, tightly managed network that results in a superior entertainment experience. Unlike traditional television, where every channel is delivered to every home on the network, IPTV delivers only those channels that the consumer wants at any given time. IPTV has become a common denominator for systems where television or video signals are distributed to subscribers or viewers using a broadband connection over Internet Protocol. Often this is parallel to the subscriber's Internet connection. Advantages of IPTV include two-way capability, which is lacked by traditional television distribution technologies, point-to-point distribution that allows each viewer to view individual broadcasts. This enables stream control (pause, wind/rewind etc.) and a free selection of programming.
- ***Mobile broadcasting:*** Mobile Broadcasting is referred to as broadcasting of content over mobile phones. With the advent of improved connectivity, several mobile operators are allowing streaming news and video over mobile phones. Now, mobile phones allow broadcasting and streaming of news, media, film content etc. as value added services to attract customer base and improve market share.

### **Revenue Streams**

The revenues of cable and satellite broadcasters primarily comprises:

1. ***Advertising revenue:*** Broadcasters typically sell the time between their regular programming to advertisers where advertisers can place their advertisements. Several broadcasters also offer in-programme advertising opportunities and other branding opportunities such as title sponsorships for which they earn advertising revenue.
2. ***Subscription revenue:*** Several cable and satellite broadcasters broadcast their channels using encryption techniques that require special equipment. The encrypted signals are down linked to cable operators, which could be MSOs or local cable operators or independent cable operators, who decrypt them using equipment and authorizations provided by the Broadcasters. The cable operators feed the decrypted signals as a part of the uniform content package to consumers and collect a monthly fee from their subscribers. Cable operators give a share of this subscription revenue to cable and satellite broadcasters, based on the number of reported consumer households.
3. ***International revenue:*** The Indian diaspora is a generic term to describe the people who migrated from territories that are currently within the borders of the Republic of India and their descendants. These persons represent a potential source of subscription revenues for the Indian broadcasting industry.
4. ***Content syndication:*** Broadcasters can monetize their programming library and footage through syndication of content to various users. For example, international broadcasters or documentary producers can acquire rights to content from Indian broadcasters for relevant events such as daily news bulletin, elections, foreign policy statements, human-interest stories, natural calamities and other events.
5. ***Value added services through non-traditional platforms:*** The mobile phone is quickly emerging as an option to offer several types of content. Ranging from pure SMS-based contests, news updates to checking internet sites. The last couple of years have seen an increase in the usage of streaming video, downloading, and other higher-end applications. The strong focus on broadband, both by the government and the service providers, would lead to quick off take in broadband services.

### **Viewership and revenue drivers for news channels**

The Company's channel offerings predominantly address news and current affairs. There is a direct relationship between viewership and revenues and some of the key drivers for this segment of Television Industry are

- ***Frequency and quantum of relevant news:*** News viewership is related to the occurrence of expected as well sudden news events that are relevant to viewers. India is currently witnessing significant changes in its economy, politics, external relations and social structures. This is resulting in a significant flow of news that appeals to a wide and diverse base of Indian viewers. In addition, the relevance and awareness of international events has also increased thereby creating greater viewer demand for news programming.

- **Quality of news content:** News broadcasters have focused on delivering news as fast as possible to viewers and presenting news in an interesting manner. Several factors such as extensive news gathering networks, use of advanced news gathering technology, effective editing and production systems are facilitating the rapid and interesting dissemination of news content to viewers.
- **Extensive reach:** The high absolute reach of news channels offers an attractive platform for advertisers to build reach. News channels are estimated to be significantly cheaper than other niche genres on the basis of the Cost Per Rating Point (CPRP). CPRP represents the cost to an advertiser to reach a universe of viewers of a defined target group with a defined rating point.
- **Male viewership:** News channels have a relatively high viewership share among male viewers. News channels offer an attractive platform for brands targeting this segment of viewers and attempting to establish an image of credibility among them.

Increasingly, the Company and other industry players in this genre are targeting other revenue streams through (a) enhancing domestic subscription revenues through new distribution platforms which reach out to consumers directly such as DTH and IPTV; (b) exploiting potential to syndicate their content to domestic and international broadcasters or other parties interested in news content; (c) delivering news over mediums such as Internet and SMS; and (d) international subscription revenues from the Indian diaspora in regions such as the US, UK, Middle East and South Africa.

### **Recent Regulatory Developments Relating to the Cable Television Industry**

#### ***Telecom Regulatory Authority of India (“TRAI”)***

On January 9, 2004 the Government announced that broadcasting and cable services would be regulated by the TRAI. The TRAI has been entrusted with power to recommend terms and conditions on which the cable and broadcasting services will be provided to customers, the parameters for regulating maximum time for advertisements in pay channels as well as other channels, and to specify standard norms for, and frequency of revision of, rates of pay channels, including interim measures.

#### ***Conditional Access System (“CAS”)***

In 2002, the Cable Television Networks (Regulation) Amendment Act (“**Cable Television Act**”) was passed amending the Cable Television Networks (Regulation) Act, 1995. This amendment seeks to regulate the transmission of pay television by a local cable operator through a system known as the CAS. Currently, local cable operators under declare their subscriber base to MSOs (who download encrypted signals of pay-TV channels and retail it to the local cable operators) and broadcasters, resulting in local cable operators retaining the majority of subscription revenues received from viewers. Upon country-wide implementation of CAS, subscribers will need to install set-top boxes in their homes in order to receive cable television channels, thus adding transparency in the number of households receiving a particular channel and also providing pricing ability for subscription to individual channels. This is expected to allow broadcasters to receive a larger share of subscription revenues and is expected to shift the revenue profile of broadcasters away from advertising-based revenues, which presently dominates the Indian satellite broadcast landscape. In January 2003 the Government of India notified that CAS should be made effective in Chennai, Mumbai, Kolkata and Delhi by July 14, 2003. The time period for CAS implementation was subsequently deferred to September 1, 2003 when the Government made it mandatory for a zone-wide roll-out of CAS in Delhi, Mumbai, Kolkata and Chennai, to be completed by December 1, 2003. By a further notification in August 2003, Delhi was excluded for the implementation of CAS. The notification of August 2003 has been challenged by way of various writ petitions. Chennai was the only city that rolled out CAS on the September 1, 2003 deadline. Although CAS was rolled out in South Delhi in December 2003, the Government vide a notification dated February 27, 2004 suspended the implementation of CAS until further notice. Subsequently, the MIB, pursuant to the Order of the High Court of Delhi dated July 20, 2006, vide notification dated July 31, 2006 notified the implementation of the CAS in the abovementioned notified areas effective December 31, 2006.

### **Impact of successful CAS, DTH and IPTV implementation on the Industry**

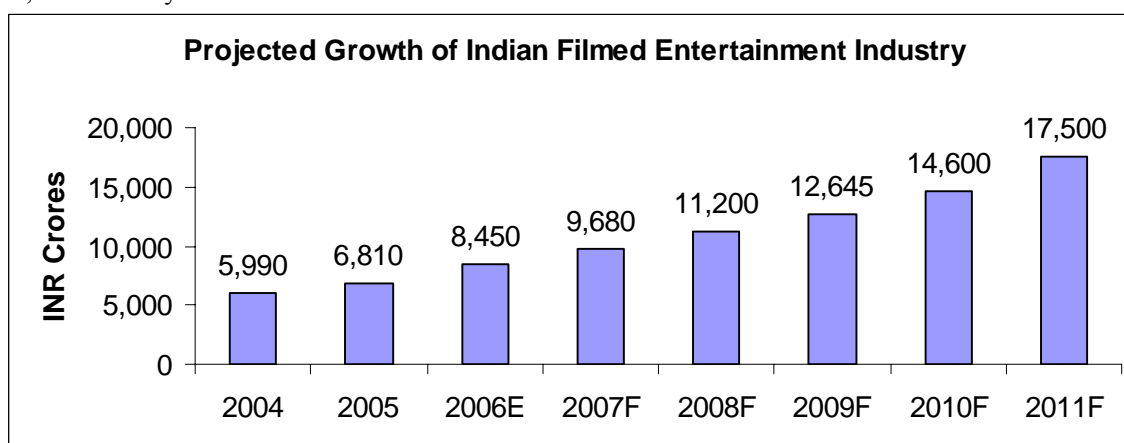
The current structure of the cable industry results in high ‘leakage’ of revenues with cable operators under-declaring their subscriber bases to broadcasters of pay-TV channels. The under declaration results in a very small share of subscription revenues for broadcasters, with the substantial share of subscription revenues being retained by local cable operators and MSOs.

Successful implementation of CAS is likely to address the problem of under-declaration and, hence result in higher share of subscription revenues for broadcasters. The Indian broadcasting industry is also witnessing the introduction of Direct-to-Home (DTH) subsequent to regulatory changes that permitted such services. The Zee Group launched its DTH services on October 2, 2003. This was followed by the launch of Doordarshan's DTH and Tata Sky (a TATA - Star TV alliance). Sun TV and Reliance are also planning to enter this space. DTH broadcasting may offer revenue growth opportunities to broadcasters through the creation of additional channels or distribution of their existing channels through this additional distribution platform.

Another distribution platform awaiting its launch in the Indian markets is IPTV. IPTV allows distribution of television over broadband access lines. It provides TV service over the same network that provides data and voice service. IPTV would enable broadcasters to provide value added services, help improve addressability and increase the scope for niche channels for smaller audiences.

### Indian film industry

The Indian film industry is going through a phase of corporatisation to structure the financing and sustain profits considering the high level of risk involved. The Indian industry today stands at an estimated Rs. 8,450 crores. Having grown 24 percent from the previous year the overall Indian film industry is expected to grow to Rs. 17,500 crores by 2011.

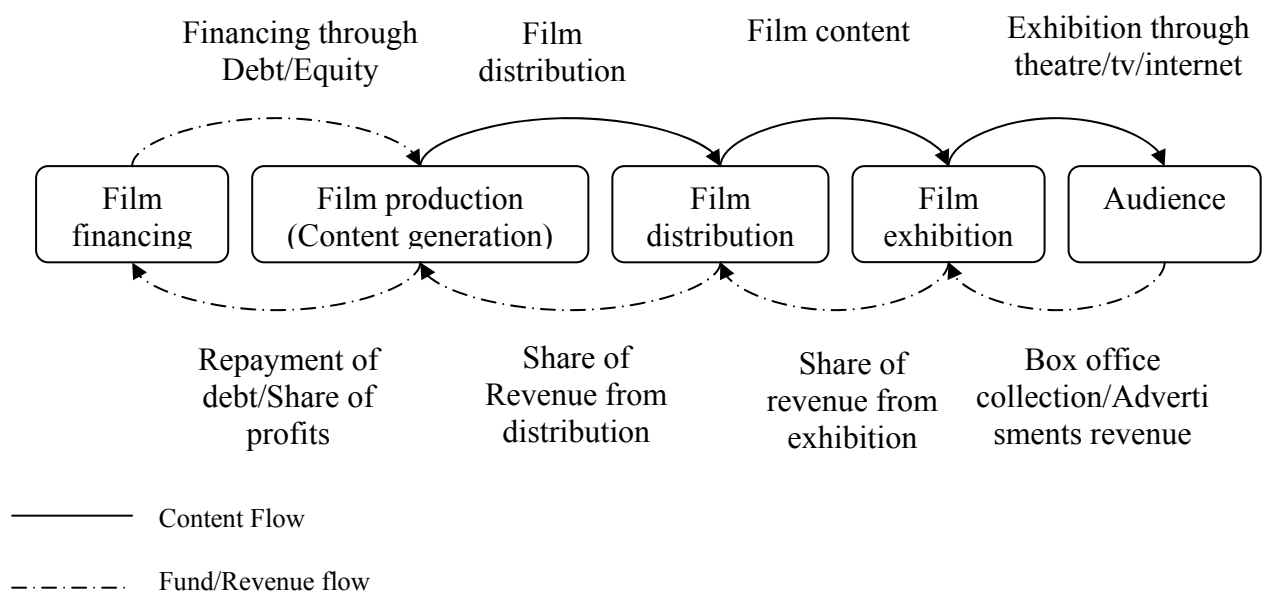


The Revenue split among the various streams is tabled below:

Rs. million	2004	2005	2006E	2007F	2008F	2009F	2010F	2011F
Domestic box office revenues	78%	78%	76%	74%	74%	72%	70%	68%
Overseas box office revenues	8%	8%	8%	9%	9%	10%	9%	9%
Ancillary revenues	8%	8%	8%	9%	9%	9%	9%	9%
Home video revenues	6%	6%	8%	8%	8%	9%	12%	14%

Source : FICCI-PWC Report 2007

### The film entertainment chain:



### Film financing

Film financing has been done through a debt structure (traditional private financiers) or through an equity structure (producers or distributors).

### Traditional Financing Sources (TFS)

- Producers contribution
- Distribution pre-Sales
- Private financiers

In a majority of the cases private film financiers refrained from taking equity stakes in film projects because returns for these financiers on debt financing of films ranged between 36%-50% per annum. In view of such high returns (with negligible bad debts), the business economics of the film industry were not in favour of taking equity stakes in film projects for marginal increase in potential returns (with much larger risk associated with the film not doing good business). Post 1995, with the increasing share of revenues from music, tv and overseas rights, the distributors began to increasingly take a higher equity stake.

Since 2001, the Hindi film industry has witnessed a marked increase in non-traditional financing sources for film production.

### Non Traditional Financing Sources (NTFS)

- Loans from banks and financial Institutions
- Companies and production houses funded through initial public offering
- Companies and production houses through venture capital and/or institutional private equity
- Individuals through venture capital and/or Private Equity
- Music companies
- TV broadcasters

The proportion of films financed by NTFS has increased from 6% in 2001 to 38% in 2004. For High Grade Films\*, proportion of films financed from NTFS has increased from 8% in 2001 to 44% in 2004.

\* High grade films refer to mainstream commercial films targeted at mass market released usually with more than 100 prints in major towns and cities before travelling into smaller centers. (Source : Bollywood - Emerging Business Trends and Growth Drivers, Yes Bank report, 2005)

## **Film production**

The Hindi film production industry remains largely fragmented albeit there is a growing trend towards producing multiple films every year by select production houses.

The total number of Hindi films produced and released in theatres increased to 223 in 2006 from 177 in 2004.

Co-production is when there are multiple producers for the movie who contribute both in terms of creative and financial resources. This structure of film production houses pooling in their funds for projects results in risk mitigation in an extremely uncertain industry where the returns are unpredictable over a vast range. (Source: Bollywood - Emerging Business Trends and Growth Drivers, Yes Bank report, 2005)

### **Trends**

- Higher focus on return on capital and payback period
- Production of niche films with smaller budgets
- Co-production including financial co-productions with active financial participation of companies engaged in distribution of content on ancillary platforms.

## **Film distribution**

The film distribution business in India has traditionally operated in a very fragmented environment and is characterized by presence of several regional players. Territory specific distribution rights are licensed by producers for domestic theatrical circuit to several distributors and sub-distributors either on the basis of outright sale (combined with revenue sharing arrangement) or on the basis of a commission agreement.

Till very recently, film distributors acted like venture capitalists for the Hindi film industry by providing production financing to the producers in lieu of distribution rights for specific territories in the domestic theatrical circuit. Due to the risky nature of the equity most of the film distributors prefer to release films on commission basis these days, their roles having been transformed from “Venture Capitalists” to “Service Providers”

### **Content distribution rights**

The following are the revenue streams with regard to various rights associated with filmed content:

- Domestic theatres
- Overseas theatres
- Video cassettes/ digital video discs
- Cable and satellite
- Music CDs
- Internet rights

Often the content rights are bundled and sold to the distributors. The rights are allocated on the basis of geographical territories or on the basis of distribution platforms (theatrical, home video, television) in order to exploit markets more effectively.

### **Trends**

- Higher focus towards corporatisation and organized business structures
- Increase in prints for initial release
- Trends towards vertical integration (by distribution companies) across the film value chain especially exhibition
- Trends towards selling distribution rights for Home video and C&S TV platform within 6 months of the release of the film.

## **Film exhibition**

Film exhibition (content exhibition) comprises the various media through which the filmed content can be showcased to the audience. This is the final point of contact of the filmed entertainment chain with the consumer. The various channels involved in this exercise are:

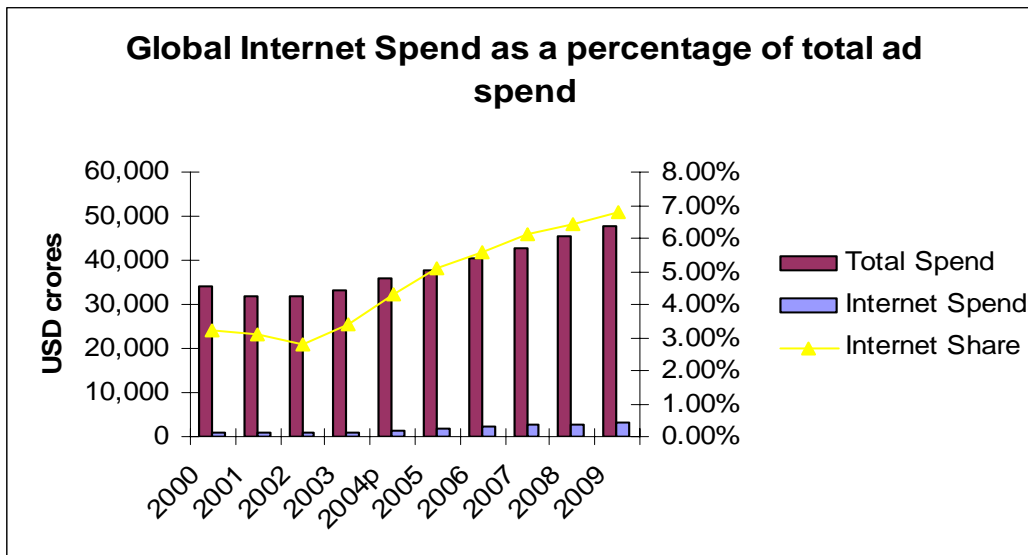
- Domestic theatres
- Overseas theatres
- Video cassettes/ digital video discs
- Cable and satellite
- Music CDs
- Internet websites

**Trends**

- Higher number of screens
- Trends towards corporatisation and organized business structures
- Rationalization in entertainment taxes
- More multiplexes and a corresponding decrease in single screen cinema halls
- Corporatisation of film exhibition players
- Collaborative development activity between the film exhibition players, retailers, property developers or food and beverage players

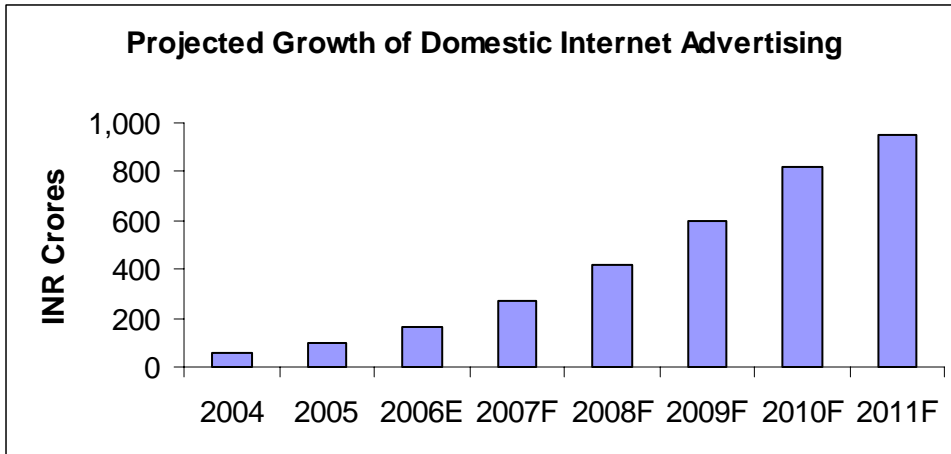
**The internet industry**

Globally the internet spend as a percentage of total advertisement spend has demonstrated a CAGR of 16%.



Source : FICCI-PWC Report 2007

Internet advertising stood at approximately Rs. 160 crores in 2006 in India. Having achieved a growth of about 60 percent over the previous year, the share garnered by this medium continues to be the lowest among all other segments-at 0.8 percent. However, in view of the growing base of internet users and keeping in mind the global benchmarks, even if internet is able to garner a share of 3 percent of the growing advertisement pie by 2010, the growth in internet advertising is estimated to be atleast 50 percent over the next five years.



Source : FICCI-PWC Report 2006

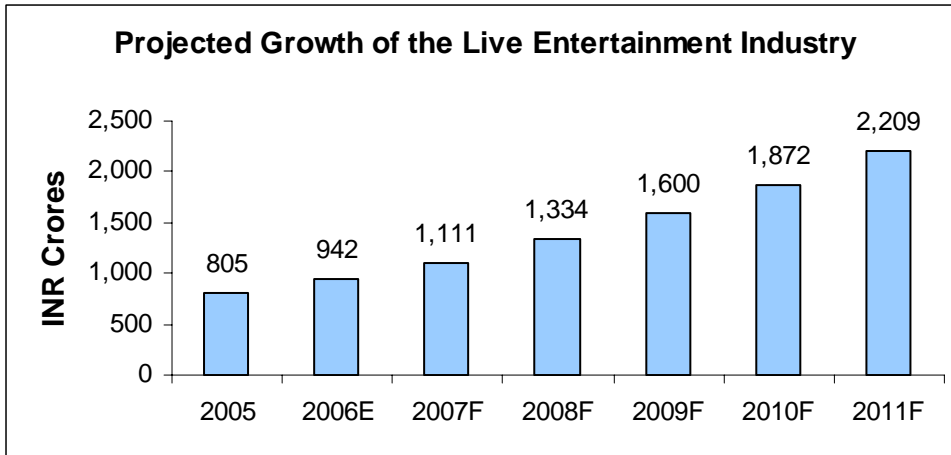
### Event management

Event management firms plan, organise and execute events which could include product or brand launches, exhibitions, concerts, conferences, and more recently outdoor activities for corporate groups.

Event management consists of conceptualization, planning, budgeting, and execution of below-the-line activities such as exhibitions, stage shows, fashion or rock shows, music concerts, celebrity appearances, fashion or charity shows, conferences, weddings, product or brand launches, and sports shows to name a few.

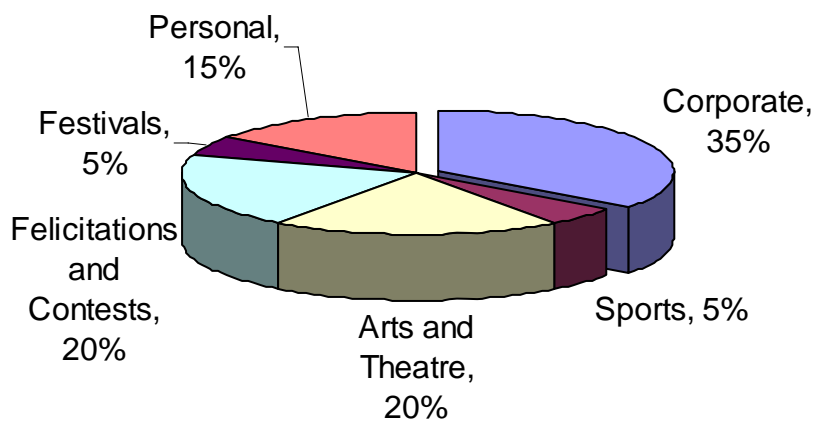
Sub-segment	Genre	Examples
<b>Corporate</b>	Product launches/ Product promotions Training/ meets Annual parties Exhibitions/ trade fairs Celebrity management	Ad Asia Bacardi Christian Dior Auto Expo, Pragati Maidaan Lakme India Fashion Week
<b>Facilitative/ Competitive</b>	Awards Contests/ talent searches Beauty pageants	Femina Miss India FE Business Traveller Awards Channel V Pop stars CNBC Autocar Awards
<b>Arts</b>	Film Theatre Music Dance	Bollywood shows English, Hindi, Gujarati Bengali, Marathi etc plays Rolling Stones concert
<b>Sports</b>	Sporting events (individual and combined)	World Cup Cricket Wrestling Championships Tata Open ATP Tour
<b>Festivals</b>	Government sponsored	Goa Carnival Festival of Kerala Kumbh Mela Rajasthan Desert Festival

<b>Personal</b>	Birthday parties Wedding parties and related functions General parties
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Source : FICCI-PWC Report 2007

The Domestic Live Entertainment Industry is projected to reach a size of Rs 2,200 crores per annum by 2011.



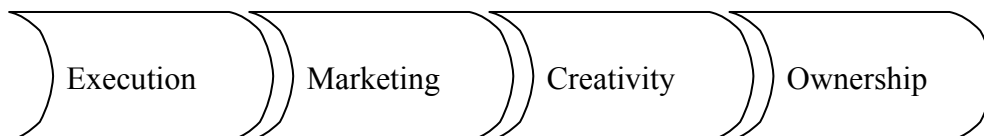
### The Segmental Split of the Domestic Live Entertainment Industry

Source : FICCI-PWC Report 2007

#### Key growth drivers

##### 1. Ability to move up the value chain

The event management chain comprises the following:



The event management value chain begins with expertise in execution which progresses to marketing which includes obtaining sponsorships, promoting the events on various media, etc. Creation of new event properties for clients is the next step in offering a complete marketing solution to their clients. Ownership of event properties is perceived as the final step where the events themselves become assets with the event management company.

## **2. Increased role of event management in marketing plans**

Integration of live events into marketing plans is increasing at a rapid pace in India with experiential marketing beginning to emerge as a key element of the sales promotion spends of marketers.

## **3. Growth of global presence in India's corporate sector**

As Indian companies globalize, new foreign brands enter India the largest sub segment – corporate events- is poised for tremendous growth.

## **4. Increased share of organised sector in live entertainment**

The entry of a number of organised players as well as an increase in the size and scale of the business is likely to result in the organised sector capturing a larger share of the overall live entertainment business.

## **5. Creation of new categories**

*Sports* – Recent large events include Mumbai and Delhi Marathon, Chennai Open (tennis), Kingfisher Mumbai Open (tennis), Premier Hockey League. Some important sports event properties in the future include the 2010 Commonwealth Games and the 2011 Cricket World Cup.

*Festivals* – Some Indian festivals associated with specific destinations are also being used to create strong live entertainment properties.

*Reality Shows on Television* – Event properties are being developed around some television reality shows.

In addition creation of new properties such as property melas, industry specific events and trade fairs will also drive growth in this segment.

## OUR BUSINESS

### Overview

Our Company is the holding company of the Group with strategic and financial investments in media and allied businesses and is registered with the RBI as a NBFC. Our Company primarily has investments in: (a) TV18, which owns and operates 'CNBC-TV18' and 'CNBC Awaaz' channels;; (b) Setpro, which is primarily engaged in the business of distribution of channels, arranging band placement, seeding of set top boxes within India or abroad and to collect subscription revenues for broadcasters; (c) Network 18 Holdings Limited which is the holding company for Homeshop18, the Group's home shopping service; and (d) GBN, which owns and operates the channel, 'CNN IBN' and has substantially invested in a company which controls a Hindi language news and current affairs channel 'IBN 7'.

With track record of more than 10 years, the Group has been able to position itself as a leading player in the media and entertainment industry. Our Company forayed into audio and video content production and distribution with an initial focus on co-production and distribution of feature films through our film division, "Studio 18" which was established in July 2006.

As a part of the Group strategy and our intention to de-risk the films business, our Company has invested GBP 10 million in The Indian Film Company Limited (a company incorporated in Guernsey), a GBP 55 million company sponsored by Mr. Raghav Bahl, our Promoter and is listed on the Alternative Investment Market of the London Stock Exchange. The objective of The Indian Film Company Limited, is to invest primarily in the Indian film industry. Further, as a part of this arrangement, our Company has also entered into a deed of transfer and assignment dated April 19, 2007 with The Indian Film Company (Cyprus) Limited (a wholly owned subsidiary of The Indian Film Company (Guernsey)), pursuant to which our Company assigned all its rights with respect of current contracts our Company had entered into pertaining to the film business including co-production and distribution contracts along with a right of first refusal with respect to all future contracts originated by "Studio 18".

Pursuant to the strategic alliance between the Group and Viacom Inc. ("Viacom"), our Company has entered into a share subscription agreement and a shareholders agreement dated May 22, 2007, to create a 50-50 joint venture with Viacom. As per the terms of the arrangement, our Company has also entered into a business transfer agreement dated September 15, 2007, pursuant to which our Company has agreed to transfer its film business, on a slump sale basis to MTV India. For further details, see section titled "Recent Developments" beginning on page 20 of the Draft Letter of Offer.

Our Company has also recently made a foray into event management, with the launch of "E-18", which would operate as our event management division. E-18 would operate in the live entertainment space, by conceptualising and staging large format events, such as concerts by international and Indian artists, award functions, large format business conferences, conclaves and seminars. "E-18" has organised the *Independence Rock Concerts*, a series of four major rock concerts across the country, in August and September 2007.

In order to diversify and expand our content production business and to capitalise on the Group's expertise, synergies and experience in the media industry, our Company is enhancing its focus on audio and video content production for television, internet, IPTV and allied media.. Our proposed audio and video content venture will focus on producing audio and video content across various genres of drama, music shows, news features, talk shows, events, animation, reality shows and programs related to current affairs for various television channels, including channels owned and operated by the Group.

Our Equity Shares were listed on BSE and NSE on February 2, 2007, pursuant to the Scheme undertaken in the year 2005, between our Company, TV18 and SGA News with a view to unlock significant synergies in the businesses of the Group and to re-organise the existing Group operating structure to comply with the MIB Guidelines. For further details of the Scheme and Listing, see section titled "History and Certain Corporate Matters" on page 96 of this Draft Letter of Offer.

Our total revenue for Fiscal 2006 and Fiscal 2007 was Rs. 164.95 lakhs and Rs.1,618.63 lakhs, respectively.

## **Our Strengths**

We believe that we are well positioned to capture considerable growth opportunities in media and entertainment, our event management and audio and video content production businesses because of the following key strengths:

### ***Our Directors have experience in setting up and successfully operating media businesses***

Our investments are primarily in the media and entertainment sectors viz. motion pictures, television, internet portals etc. Our Directors, Mr. Raghav Bahl, Mr. Sanjay Ray Chaudhuri and Ms. Vandana Malik have extensive experience in the media and entertainment sectors. The Group has been instrumental in establishing and operating TV18, our subsidiary which operates two well established channels, 'CNBC-TV18' and 'CNBC Awaaz'. The Group also operates a leading 24 hours english news channel 'CNN IBN' and operates a Hindi news channel 'IBN 7' in which it has substantial investment.

### ***Ability to establish new businesses and ventures***

Our Company has in the past successfully established new businesses. Our Company successfully established our foray into the content production and distribution business with a focus on feature films through our division "Studio 18". Studio 18 was established in July 2006 and executed several number of film contracts within a period of one year and earned an income of Rs. 760.97 lakhs in Fiscal 2007. Additionally, in the last three years our Group has also successfully entered into new and diverse ventures including the launch of the television channel CNN-IBN in December 2005, the acquisition of Channel 7 and its successful re-launch as IBN 7 in August 2006, the launch of HomeShop18 and the acquisition and re-launch of Crisil's www.crisilmarketwire.com, as newswire18.com. We believe our ability to successfully establish new businesses is due to the Group's ability to attract leading industry talent and leverage existing skills and synergies from the Group.

### ***Strong brand equity***

We are the holding company of the Group, which has over a decades experience in the media, entertainment and internet sector. The Network 18 brand has recently become the central umbrella brand entity of the Group and is a representative symbol of all its media interests. The brand identity of the Group revolves around the key themes of enable, enlighten and entertain. The Group enables people to connect, transact and build communities; enlighten people through unbiased perspective giving people the information to make smarter decisions; and to entertain people.

The Group currently has four channels on air, each focussing on specific market segments. Channels owned by TV18, such as 'CNBC TV18' enjoy leadership position in the business news segment. Brands such as 'CNBC TV18' and 'CNN-IBN' have become synonymous with high quality reporting of news and current affairs. The strong brand equity has allowed the Group to enter into corporate alliances with leading companies such as CNBC, CNN and Viacom. Our Company being a holding company of TV18, is in a position to derive leverage from the strong brands of the Group.

### ***Expertise in content production***

Our Group, through TV18 was previously focused on content production and has been associated with popular shows across several genres on various channels (including prime time slots), such as Star Plus, BBC World, MTV, Sony Entertainment Television and Zee Television. Previously, content production for third parties was done by the entertainment division of TV 18, which was headed by Ms. Vandana Malik, one of our Directors. Further Mr. Raghav Bahl and Mr. Sanjay Ray Chaudhuri, our Directors, have also been associated with the production and direction of award winning television shows, such as "The Amul India Show" and the "India Business Report". We believe, the Group's experience and the expertise of our Directors in content production will enable us to successfully establish ourselves in the audio and video content production business.

### ***Synergies with event management***

The Group has been associated with various large format business related events, in its capacity as a sponsor and broadcaster. Additionally, our Company's association with the film industry, through Studio 18, provides us with synergies in the organisation of entertainment events. The Group's association with international media groups,

such as Viacom, Turner and CNBC also provides us potential business opportunities.

## **Our Strategy**

Principal elements of our strategy are the following:

### ***Pursuing potential strategic acquisitions and investments***

We believe that, over the long-term, attractive opportunities will exist to increase revenues and earnings through investment in and acquisitions of businesses. In addition to our plans to expand our audio and video content production and event management businesses, we will also look towards investing in and acquiring other businesses, which provide us synergies in the media and entertainment space. As part of our strategy to pursue external growth opportunities, we may choose to rationalize or restructure certain existing investments going forward.

### ***Investing in the Group***

We are the promoter and holding company of TV18 and GBN and have investments in a number of companies. In the event any of these companies require infusion of capital by way of equity offerings or preferential allotment or in any other manner and our management views such infusion of capital as a sound investment opportunity to increase our revenues or to ensure necessary regulatory compliance, we may consider such opportunities as and when they arise.

### ***To establish our Company as a reputed audio and video content creator in the media and entertainment space***

We have a vision of working towards establishing our Company as a strong player in the business of audio and video content production. To achieve the aforesaid objective, our Company has outlined the following strategies:

- To produce multiple genre of audio and video content catering to a wide variety of viewers in order to have a diversified content portfolio;
- Develop full fledged team for conceptualization, logistics management and talent management;
- Deliver multi genre and multi lingual content across multiple channels, with focus on leading broadcasters;
- Own the intellectual property of audio and video content produced and exploit the rights effectively;
- Explore opportunities in producing short length advertisement films for advertising agencies and corporate clientele;
- Maintain a balanced exposure of audio and video content distributed to various television channels including channels operated by the Group;

### ***Establish E-18 as reputed player in event management***

We wish to become an established event management Company offering our expertise in professionally organising large format live entertainment events, including corporate events, concerts, shows, award functions, conclaves and seminars. We may also extend this business in the talent management space by managing the commercial interests of various celebrities and prominent personalities.

### **Past experience in content production**

The Group has over a decade of experience in content development and production. The Group has produced and developed television programming content in the genres of drama, music shows, news features, talk shows, events, general entertainment including fiction, chat shows and various programs related to current affairs, business news etc.. The contents have been aired on the major satellite channel networks, some of which are shown below:

<b>Genres</b>	<b>Programs</b>	<b>Network</b>
Drama	<i>Bhanwar</i> : One of India's first Documentary Drama based on the real life court cases. It was awarded the Best Investigating series at the Videocon- Screen Awards in 1999	SET

Genres	Programs	Network
	<i>Hadsa</i> : A docudrama series based on the real life cases-with interviews from the REAL protagonists	SAB TV
	<i>Vakalat</i> : A serial based on the legal system of the country	Zee TV
	<i>X-Zone/Khauff</i> : A serial in the horror genre	Zee TV/SAB TV
Music Shows	<i>Public Demand</i> : Launched in 1994 on ELTV and later shifted to Zee TV. It was India's first count down show. Roshan Abbas & Mahima Chaudhary, were the host for this program	Zee TV
	<i>MTV U</i> : Aired in 1997. It was a popular campus music show hosted by Cyrus Broacha	MTV
News Features/Programs	<i>The India Show</i> : Popularly known as "Amul India Show" and launched in 1993. It was India's first show on satellite television. The program won the Asian TV awards for two consecutive years	STAR Network
	<i>India Business Report</i> : Weekly business News program on BBC. The show was anchored by Mr. Raghav Bahl and ran for six years until TV 18 entered into a joint venture with CNBC Asia	BBC
General Entertainment	"Kya Masti Kya Dhum", "Maha Movie Masala"	Star Network
	"Toofan Mail" & "Face Off".	Channel V

## OUR BUSINESS METHODOLOGY

### I. Content Production

#### *Revenue Model*

In the current scenario, there are two different revenue models followed by the existing television content production industry namely revenues earned on commissioned programmes and revenues earned on sponsored programmes.

**Sponsored programs:** In this model, the content providers acquire a broadcasting slot from a television channel against payment of a telecast fees to the channel for the allotted slot. The content provider in turn is allowed to broadcast commercials along with a program. The content provider further sells airtime to advertisers for broadcasting commercials, whilst retaining the intellectual intellectual rights to the program.

**Commissioned programs:** In this model, the television channel agrees with content provider for conceiving and producing a program on behalf of the channel. The content provider is paid a fixed price for producing the program. The channel retains all the intellectual rights to the program and rights to sell and market the commercial airtime associated with the telecast of the program.

#### *Comparison*

Criteria	Sponsored Program	Commissioned Program
Marketing Risk of program	Borne by content provider	Borne by channel
Returns	Variable based on program success, entirely retained by content provider	Fixed by the channel with possible incentives to content provider for program success
Capital Risk	Content provider may not recover cost of production fully	Content provider is assured of a minimum fixed return
Intellectual Rights	Usually retained by the content provider	Usually owned by the channel

Sponsored programmes have substantially higher risks and rewards for television content production houses compared to commissioned programmes. Under the commissioned programme model, production houses typically work on a cost plus margin basis. Under the sponsored programme model, profitability depends on several key factors-(1) popularity of the program, which determines advertising revenues; (2) marketing efforts of the content production house in selling the commercial time; and (3) cost of the program (cost of production/purchase cost of program and the telecast fee).

### ***Infrastructure***

The Company proposes to use a part of its Issue proceeds towards office infrastructure and purchasing certain equipment for its audio and video content business. Additionally, the Company proposes to utilize the studios and other infrastructure facilities from the Group. This infrastructure includes editing studios, animation studios and other permanent studios as well as studio sets, which can be dismantled and re-oriented to suit the changing programming needs, which would include:

- Vehicles, including OB-Vans for outdoor live shows,
- Vehicles for transport
- Shooting equipment for outdoor activities.

Further, our Company also intends on utilizing equipment such recorders, mixers, shooting equipment, dubbing equipment, communication and data systems, editing and developing studios from the Group's pool of infrastructure. The Company may also lease or hire infrastructure from third parties as required, based on its contractual obligations.

### ***Human Resources***

The Company will leverage the Group resources available with experience in the content production business, such as Ms. Anuradha Sengupta, features editor and anchor of CNBC-TV18's feature show "Storyboard", Ms. Gaurika Chaudhuri, Senior Producer and Anchor with Awaaz, Ms. Maneka Doshi, Mumbai Bureau Chief and Associate Corporate Editor. The Company shall recruit professional and technical staff with experience in the field of content production. Until such time, as the Company has a full fledged team, our Company intends on meeting its human resources requirement on a contract basis.

### ***Marketing***

#### ***Relationship with channels***

The Company as a content producer for the television industry is required to have relationships with various television channels to understand their programming requirements. In the commissioned model, the television channel agrees with content provider for conceiving and producing a program on behalf of the channel. This requires close collaboration between the content producer and the creative/content team of the channel. Being a part of a prominent television group, allows us to leverage industry relationships. Furthermore having the benefit of the Group having produced content for several channels in the past, provides us the benefit of a decade long relationship with various channels.

#### ***Relationship with advertisers***

In a sponsored program the content provider in turn is allowed to broadcast commercials along with a program. The content provider typically sells airtime on the allotted slots to various advertisers which constitutes a significant portion of revenues from such programs. The Group with its bouquet of four channels has a strong advertisement sales team which endeavours to attract quality advertisers, which offers both our Company and the channels on which our programs will be telecast significant advantages. The focus of the advertising sales team with respect to our programs will be to:

- Leverage the relationships with Groups base of advertisers;
- Focus on attracting new advertisers for our programs, by highlighting TRP performance and growth potential of each program.
- Proactively manage the seasonality of the advertising spending patterns of clients;

- Attracting advertisers with special package rates to place advertisements on our program allotted slots across channels
- Offer innovative advertising and sponsorship properties for our programmes to advertisers to enhance our overall revenue.

## **II. Event Management**

Our Company launched E-18 in June, 2007. E-18 would operate in the live entertainment space, by conceptualising and staging large format events, such as concerts by international and Indian artists, award functions, large format business conferences, conclaves and seminars. “E-18” has organised the *Independence Rock Concerts*, a series of four major rock concerts across the country, in August and September 2007.

### ***Revenue Model***

The revenue model in the event space is variable according to different events. The broad revenue formats that we enter into are described below:

We undertake large format entertainment events, where our primary sources of revenues are sponsorship revenues and ticketing revenues. Our costs include all the operating expenses of the event including costs of venue, equipment, payment to entertainers and contract staff, and insurance. We usually select events based on our estimates of a minimum margin commensurate to our internal targets.

We undertake business events in two broad formats. We organise events on a reactive basis where a client gives us an events brief and theme, and we organise the event based on a cost plus fixed margin basis. We also organise events such as seminars, conclaves and summits on a pro-active basis where our primary revenues comprise sponsorship revenues and revenues from delegates and participants. In our large format events, we select our pro-active business events based on an internal criteria of minimum margin.

### ***Infrastructure and network***

We offer a 360 degree turnkey solutions for large format events. We are developing a team of personnel including strategists, event managers, conceptualisers to design, supervise and execute events managed by us . We hire equipment for various events from third parties based on the requirements at hand. We may also contract various aspects of the event management to local parties and hire local manpower. However our team plays a strong supervisory role in the successful execution of all our events.

### ***Human Resources***

The Company proposes to leverage on the experience of its employees in the Group in the event management business, such as Mr. Farhad Wadia, Mr. Manish Chhetri and Mr. Aman Kanjhliia. The Company shall recruit professional and technical staff with experience in the field of event management. Until such time, as the Company has a full fledged team, our Company intends on meeting its human resources requirement on a contract basis. As of August 31, 2007 we had 12 employees in E-18.

## **BACKGROUND OF THE GROUP**

We have the following major subsidiaries, namely (a) TV18; (b) Setpro; (c) GBN (d) Network 18 Holdings Limited (Cayman Islands) and (e) Network 18 India Holdings Limited. Discussed below are the business operations of the three companies:

### ***Television Eighteen India Limited***

TV18 owns and operates CNBC-TV18 and CNBC Awaaz and post the Scheme, TV18 has become the subsidiary of Network 18. Consequently, all the subsidiaries of TV18 also became the subsidiaries of Network 18 under Section 4(d) of the Companies Act, 1956. In the context, our Company has indirect interest in various

companies through investments of TV18 in various media assets and undertakings. The list of indirect subsidiaries is set out below:

S. No.	Name of Subsidiary
1.	Television Eighteen Commoditiescontrol.com Limited
2.	e-Eighteen.com Limited
3.	E-18 Limited
4.	Web 18 Software Services Limited
5.	Television Eighteen Mauritius Limited
6.	TV18 UK Limited
7.	Web 18 Holdings Limited
8.	Moneycontrol Dot Com India Limited
9.	iNews.Com Limited
10.	RVT Investments Private Limited
11.	Newswire18 India Private Limited

### *The Television Channels*



**CNBC TV18:** CNBC TV18, the business news and current affairs television channel, was launched in 1999. It broadcasts business related newscasts, instant coverage of breaking stories, special reports, updates, features and current affairs programmes. Pursuant to a license agreement entered into with CNBC Asia, CNBC TV18 takes advantage of CNBC's content including breaking news and feature programmes, internationally recognised brand and global infrastructure.







**CNBC Awaaz:** CNBC Awaaz, a Hindi language consumer news television channel was launched in January 2005. CNBC Awaaz targets the Indian consumers to provide information on areas such as consumer products and services, investments, consumer rights, setting up businesses, etc.

In addition to the broadcasting operations, TV18 and our Company have undertaken several strategic initiatives directly and indirectly involving investments in the internet business and acquiring/investing significant stake in several internet properties. Brief details of the internet portals and services are set out below:

	www.moneycontrol.com acquired in 2000, is Asia's largest portal in the news and financial services domain (Source: www.alexa.com). The portal leverages on the Group's strengths in financial news and analysis. It offers investors with all levels of experience free access to the latest business news and market updates, articles and independent analysis of investment options and financial planning.
	www.commoditiescontrol.com brings to its users understanding of the Indian commodities space with coverage of real time market information and live interplay between various market participants. It is targeted towards traders, bankers, financial institutions and others who associate with commodities markets to make investment decisions. It is supported by a wide network of researchers and analysts based both in India and abroad. Commoditiescontrol.com is subscription driven, and currently has subscribers to its website and SMS Services across India, Nepal, Hong Kong and Singapore.

	<p>www.yatra.com: The Group has acquired a 15% stake in Yatra Online Inc (“Yatra”). The other investors in Yatra are Norwest Venture Partners, Reliance Capital and a group of individual promoters. www.yatra.com is a travel offering providing travel related information pricing, availability and reservations for airlines, hotels railways, buses and car rentals across many cities and rural areas throughout India.</p>
	<p>www.poweryourtrade.com is a subscription based internet website providing real-time information on the financial market for equity traders and serious investors. The prime feature of the site is its trading calls.</p>
	<p>www.in.jobstreet.com : The Group has acquired a 50% stake in one of India’s leading job portals – www.in.jobstreet.com. It is a comprehensive recruitment and solutions provider with over 5,000 corporate clients in India and over 20,000 live jobs in India across various sectors at any given time.</p>
	<p>www.compareIndia.com: The Group has acquired a 90% stake in www.compareIndia.com. It is the latest offering which works as an information service platform for consumers looking to buy products ranging from audio systems, television sets, washing machines, microwaves, refrigerators, fax machines, printers among others.</p>
	<p>www.cricketnext.com is one of India’s leading portals on domestic and international cricket replete with news, videos, photo galleries and exclusive interviews, capturing action both on and off the ground with loads of interactivity.</p>
	<p>www.Tech2.com is the Group’s personal technology media label. It fulfils the need for easy to understand information on finding more about, buying and using personal technology products.</p>
	<p>www.Indiaearnings.com is a specialised comprehensive information platform powered by the Group’s team of market editors, anchors and researchers for professional investors. It includes all results related news, management interviews, analyst’s views and research from the Group’s various channels and online properties such as www.moneycontrol.com and www.poweryourtrade.com. It also features video clips of post-result press conferences and audio cast of brokerage conference calls. This service is available by invitation only.</p>
	<p>www.easymf.com is an online mutual fund advisory and transaction service. It provides research and advice on funds, thus completely simplifying the process of fund selection and buying for both new and matured fund buyers.</p>
	<p>www.newswire18.com (formerly www.crisilmarketwire.com): The Company recently acquired www.crisilmarketwire.com, from Crisil MarketWire Limited, (a subsidiary of Crisil Limited). It is India’s first and only real-time financial news agency. It competes with international wires such as Reuters and Bloomberg with the country and is the largest supplier of news to money and debt market players in India.</p>
	<p>www.ibnlive.com is an interactive web portal providing regular news updates. The website provides dynamic online content including streaming video feeds from CNN IBN and IBN 7, breaking news alerts, blogs and video downloads on mobile phones for users.</p>
	<p>It is an entertainment portal providing latest news and highlights on shows reviews and previews across movies, television, music and celebrities.</p>

	<p>Bookmyshow.com is an internet portal providing online booking facilities for movies at various theatres across India.</p>
	<p>BizTech2.com is an internet portal providing information on ITES, manufacturing, retail, energy, government , pharma , telecom and media and has product videos, case studies, white papers and video</p>
	<p>2622 is TV18's mobile short code which is powered by the in-depth and real time content of the entire group. This mobile platform uses advanced technology to deliver messages every month on news and information.</p>
	<p>IndiWo.com is an internet portal meant for the Indian women everywhere in the world. The site contains information on a host of issues including expert advice, videos, photo galleries, interactive tools and other forums to empower the Indian woman.</p>

TV18 through its subsidiaries Web 18 Holdings Limited, (Cayman Islands) and E-18 Limited, Cyprus along with Centurion Bank of Punjab, Ambit Capital Private Limited, Ambit RSM Private Limited and Mr. Ashok Wadhwa intends to pursue a stock and commodity broking business which will have an emphasis on internet presence through a joint venture arrangement entered into in a joint venture agreement dated December 7, 2006. Apart from stock and commodity broking, the venture will offer a range of financial services including distribution of third party products, portfolio management etc.

In September, 2007 TV 18 has entered into an agreement to participate as a strategic cum financial investor in MobileNXT Tele-services Private Limited, a mobile retail chain which commenced its operations in April 2006.

***Setpro18 Distribution Private Limited (formerly known as Setpro Holdings Private Limited)***

Setpro18 was incorporated on September 28, 1993 and is in the business of distribution of television channels, arranging band placement, seeding of set top boxes within India or abroad and to collect subscription revenues for broadcasters.

***Global Broadcast News Limited***

GBN owns and operates one of India's leading 24-hour English language news and current affairs channel, 'CNN-IBN'. CNN-IBN was launched in December, 2005 and has since its launch become one of India's leading English language news channel. GBN has entered into a share subscription cum shareholders agreement with the Gupta family, BK Fincap Private Limited and Jagran TV Private Limited and have acquired significant equity shareholding in BK Fincap Private Limited which is the holding company of Jagran TV Private Limited, which owns IBN 7, a 24 - hour Hindi language news and current affairs channel.

GBN is focused on producing high quality news programming and to capture news and events around the world. CNN IBN and IBN 7 are journalist led channels which have achieved recognition in the first year of their existence.

## The Television Channels



**CNN-IBN:** CNN-IBN is an English general news and current affairs channel launched in December 2005. Pursuant to a license agreement entered into with CNN, CNN-IBN takes advantage of CNN's content including breaking news and feature programmes, internationally recognised brand and global infrastructure.



**IBN 7:** IBN 7 is a 24 hour Hindi general news channel in which GBN acquired a 49% stake recently from the Dainik Jagran group, one of India's leading media groups.

### Network 18 Holdings Limited

Network 18 Holdings Limited is the holding company of TV18 HSN Holdings Limited, which in turn owns TV18 Home Shopping Network Private Limited, which operates a home shopping service under the brand of Home Shop 18.

	<p>HomeShop 18 is a televised home shopping service selling credible brands through interactive electronic media, primarily through television, call centres and the internet. Homeshop 18 makes shopping "fun and easy" with great products, established brands, multiple payment options and a fifteen day "no questions asked" replacement guarantee.</p>
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### Network 18 India Holdings Limited

Network 18 India Holdings Limited is an investment company incorporated in August 2007.

#### Our Employees

As at August 31, 2007 we had a total of 39 employees.

#### Our Immoveable Property

Details of immovable property leased by the Company are set forth below.

Serial No.	Property	Nature of title	Period of lease	Description
1.	Flat No. 601, 6 <sup>th</sup> Floor, Commercial Tower, Hotel Le-Meridien, Raisina Road, New Delhi 100 001	Leasehold pursuant to a sub lease agreement dated September 20, 2007 entered into with Global Broadcast News Limited	Two years expiring on September 19, 2009	Super area of 525.13 sq. feet fully furnished
2.	Express Trade Towers, Sector 16A, Noida, Uttar Pradesh	Leasehold pursuant to a lease agreement dated June 4, 2005 entered into with Indian Express Multimedia Limited	Three years expiring on June 3, 2008	Ground floor in Tower A, first floor in Tower A and B, first floor in Block C, third floor in Tower B, camera store in lower basement, studio space in rear portion admeasuring super area of 55,496 sq. feet

**Insurance**

We have not taken group personal accident insurance, group medi-claim insurance policies for the benefit of our employees. We have also not taken commercial general liability policies to cover against risks of damage to our property and we are also not covered with respect to fire and special perils insurance. We will work towards increasing our insurance coverage to such amounts that will be sufficient to cover all normal risks associated with our operations and is in accordance with the industry standards. With respect to our events business, for events organised to date, the cost of the venue typically includes third party insurance coverage for any accidents or injury which occur at the venue. However, we typically do not take insurance to cover losses that the Company might incur due to cancellation of the event due to force majeure occurrences. We propose to take comprehensive insurance coverage for events we will organise outside India.

**Intellectual Property**

The Company has submitted applications for registering the “18” logo and its colour combinations under various classes. For details refer to the section titled “Government and other Approvals” beginning on page 304 of this Draft Letter of Offer.

**Competition**

The content production and media business and event management business is highly competitive and rapidly evolving. We face competition from the more established corporate players who have been operating in the business of content production and event management for a number of years. Additionally we have investments in various media businesses such as television broadcasting and internet which are highly competitive and face competition from established and emerging players.

## HISTORY AND CERTAIN CORPORATE MATTERS

### Incorporation

Our Company was originally incorporated on February 16, 1996 under the Companies Act as SGA Finance and Management Services Private Limited. The name of our Company was subsequently changed to Network 18 Fincap Private Limited on April 12, 2006. Further pursuant to the shareholders' resolution dated October 20, 2006 the status of the Company was changed to that of a public company. We received a fresh certificate of incorporation approving the change of name to Network 18 Fincap Limited on November 9, 2006. The Board has pursuant to a resolution dated July 5, 2007, subject to the approvals of the shareholders and the relevant regulatory authorities, proposed to change the name of the Company to "Network18 Media & Investments Limited" and to also alter the Objects of the Memorandum of Association. The Company proposes to seek the consents of the shareholders through a postal ballot process.

### Changes in Registered Office

At the time of incorporation our registered office was situated at 79A Kamla Nagar, Delhi 110 007. On January 7, 2002 our registered office was shifted to B-2, Kailash Apartments, Lala Lajpat Rai Marg, New Delhi – 110 048. On November 15, 2006 our registered office was subsequently shifted to 601, 6<sup>th</sup> Floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi – 110 001 where it is presently located.

### Major Events

Year	Event
1996	SGA Finance Private Limited was incorporated on February 16, 1996
2001	The Company was registered as an NBFC with the RBI
2003	Mr. Raghav Bahl became the promoter of our Company
2004	SGA News was incorporated as a wholly owned subsidiary
2004	SGA Media Inc., incorporated
2006	SGA News ceased to be a subsidiary
2006	SGA Media Inc., ceased to be a subsidiary
2006	Became the holding company of TV18 pursuant to the Scheme
2006	Launch of Studio 18
2007	Company's Equity Shares were listed on the BSE and NSE vide an Information Memorandum
2007	Entered into a Transfer and Assignment Agreement with The Indian Film Company (Cyprus) dated April 19, 2007
2007	Launch of event management business division
2007	Entered into a Business Transfer Agreement dated September 15, 2007 for the transfer of the business of film production, distribution and marketing as a going concern to MTV India

### Restructuring

#### *Scheme of Arrangement*

Our Company, Television Eighteen India Limited ("TV18"), SGA News Limited ("SGA News") and the shareholders and creditors of the aforesaid companies have entered into a scheme of arrangement ("Scheme") under Sections 391 to 394 of the Companies Act, 1956. The High Court of Delhi by its order dated July 20, 2006 has approved the Scheme, which was subsequently filed with the RoC on September 27, 2006. The Scheme was designed to re-organise the group's existing operating structure and was largely driven by the need to comply with the guidelines prescribed by Ministry of Information and Broadcasting ("MIB Guidelines") for news channels uplinking from India, whereby the largest Indian shareholder should hold at least 51% of the total equity capital of the broadcasting company. For further details on the MIB Guidelines, see section titled "Regulations and Policies" beginning on page 121 of this Draft Letter of Offer.

Pursuant to the Scheme the "Media Investment Undertaking" of TV18 comprising the business activities of undertaking and managing strategic/financial investments in media companies along with all related assets,

liabilities, employees including investment in group companies engaged in television news space, preference capital investment in our Company and other identified liquid assets were transferred at book value to our Company (“Demerger A”) with effect from October 1, 2005 and the “Indian News Business Undertaking” of SGA News comprising the business activities of running the channel ‘Awaaz’ and its equity investments in group companies engaged in the Indian television news space along with all related assets, liabilities, employees etc. has merged with TV18 (“Demerger B”) with effect from November 1, 2005. The remaining business of TV18 and SGA News will continue under ownership of TV18 and SGA News respectively.

To give effect to the Scheme the following actions, among others have been undertaken

1. Pursuant to the resolution of the Shareholders dated July 15, 2006, the equity share capital of our Company comprising of Equity Shares of the face value of Rs. 10 each was sub-divided into Equity Shares of Rs. 5 each. Consequently, the authorised equity share capital of the Company was reclassified into Rs. 5,00,00,000 divided into 1,00,00,000 Equity Share of Rs. 5 each.
2. TV18 has on September 27, 2006 transferred 9,81,000 equity shares of SRH Broadcast News Holdings Private Limited to our Company at the original cost price of Rs. 19,70,00,000.00.
3. Pursuant to the Scheme, RB Investments Private Limited subscribed to 2,00,00,000 Equity Shares of our Company on November 14, 2006.
4. Pursuant to the Scheme, RB Investments Private Limited, a promoter group company, transferred 52,69,533 Equity Shares of our Company equivalent to 10.56% of the fully diluted post demerger issued and paid up capital of our Company on November 15, 2006 to The Network 18 Trust. The Network 18 Trust, pursuant to the terms of the Scheme, is entitled to transfer the aforesaid shares in any manner as maybe considered appropriate and transfer net gain of the same to TV18.
5. Pursuant to Demerger A, the shareholding in TV18 has been re-organised and bifurcated.

In respect of every 10 equity shares of face value of Rs. 10 each in TV18 held, a TV18 shareholder has as on November 27, 2006 been allotted:

- 14 equity shares of face value of Rs. 5 each in TV18, and
  - 12 equity shares of face value of Rs. 5 each of the Company.
6. Pursuant to Demerger B, for every equity share of face value of Rs 10 each held in SGA News, the shareholders of SGA News have as on November 27, 2006 been allotted 3.67 equity shares of face value of Rs. 5 each in TV18.
  7. Pursuant to the terms of the Scheme, Mr. Raghav Bahl transferred 28,68,225 equity shares of TV18 to our Company.
  8. Pursuant to the terms of the Scheme, 1,040,100 5% non-cumulative redeemable preference shares of the face value of Rs. 100 each of our Company, held by TV18 were cancelled.

The impact of the Scheme on the capital structure of the Company is detailed as under

Category of shareholder	Pre-Scheme		Post Scheme*	
	No. of Equity Shares	(%) of Equity Shareholding	No. of Equity Shares	(%) of Equity Shareholding
Shareholding of Promoter and Promoter Group				
Indian	1,00,00,000	100	2,60,66,953	52.22
Foreign	Nil		Nil	Nil
Sub Total	1,00,00,000		2,60,66,953	52.22
Public Shareholding				
Institutions				
Mutual Funds	Nil		51,11,576	10.24
Financial Institutions	Nil		11,460	0.02

Category of shareholder	Pre-Scheme		Post Scheme*	
	No. of Equity Shares	(%) of Equity Shareholding	No. of Equity Shares	(%) of Equity Shareholding
Foreign Institutional Investors	Nil		62,05,439	12.43
Sub Total (B) (1)	Nil		1,13,28,475	22.70
Non Institutions				
Bodies Corporate	Nil		31,35,965	6.28
Individuals	Nil		32,64,390	6.54
Any Other				
Non Resident Indians	Nil		13,876	0.03
Overseas Corporate Bodies	Nil		3,27,690	0.66
Trusts	Nil		3,99,927	0.79
The Network 18 Trust	Nil		52,69,533	10.56
Clearing Members	Nil		3,199	0.01
HUF	Nil		1,05,017	0.21
Sub Total (B) (2)	Nil		1,25,19,597	25.08
Total Public Shareholding (B)= (B)(1) + B(2)			2,38,48,072	47.78
TOTAL (A) + (B)	1,00,00,000	100.00	4,99,15,025	100.00

\*As of November 27, 2006

As a consequence of the Scheme, our Company has become a holding company for the group investments (business news, general news, internet news etc) and TV18 has become an operating company running the business and news activities.

### Listing

Pursuant to the Scheme and the relaxation from Rule 19(2)(b) of the SCRR granted by SEBI vide its letter dated January 12, 2007, we filed an information memorandum dated January 5, 2007 with the BSE and the NSE to list our Equity Shares. On receipt of the BSE and the NSE trading approvals both dated January 31, 2007, the Equity Shares of our Company were listed and trading commenced on February 2, 2007 on the BSE and the NSE. In addition, pursuant to the final trading and listing approvals from the BSE and the NSE and pursuant to the requirements of the the SEBI Guidelines, the Company has undertaken to lock-in 2,47,30,467 Equity Shares of the Company aggregating to 49.55% of the paid up equity share capital of the Company as of the date of listing, held by Mr. Raghav Bahl, Ms. Ritu Kapur and RB Investments Private Limited for a period of three years until February 2, 2010.

### Scheme of Amalgamation between SRH Broadcast News Holdings Private Limited and Global Broadcast News Limited

As part of a restructuring, Global Broadcast News Limited and SRH Broadcast News Holding Private Limited had filed a scheme of amalgamation under the Companies Act before the High Court of Delhi to consolidate Global Broadcast News Limited and SRH Broadcast News Holding Private Limited (“Scheme of Amalgamation”). The High Court of Delhi had through an order dated October 31, 2006 granted its sanction to the Scheme of Amalgamation. Pursuant to the Scheme of Amalgamation the whole of the undertaking of SRH Broadcast News Holding Private Limited comprising all assets and liabilities were transferred to and vested in Global Broadcast News Limited.

TV18 has on September 27, 2006 transferred 981,000 equity shares of SRH Broadcast News Holdings Private Limited to our Company at the original cost price of Rs. 19,70,00,000.00. Consequent to the Scheme of Amalgamation, the investment was converted into equity shares in Global Broadcast News Limited.

### Main Objects of our Company

- 1) To carry on business as shares and stock brokers, underwriters, sub-underwriters, agents and broking for taking hold, dealing in, converting stocks, shares and securities of all kinds, brokers for units of Unit Trust of India, brokers for debentures, bonds, Government securities, National Savings

certificates, small savings scheme and generally for securities of all kinds and to carry on the business in India or abroad.

- 2) To carry on the business of merchant banking in all its aspects, to act as managers to issue and offers, whether by way of public offer or otherwise of shares, stocks, debentures, bonds, units, participation certificates, deposit certificates, notes, bills, warrants or any other instrument whether or not transferable or negotiable, commercial or other paper or scrips (hereinafter collectively referred to as the “securities”), to act as agents of and or dealers in the securities in the course of merchant banking business, to act as discount house for any of the securities, to act as financial consultants, advisors and counselors in investment and capital markets, to underwrite, sub underwrite or to provide stand-by or procurement arrangements, to issue guarantees or to give any other commitments for subscribing or agreeing to subscribe or procure agree to procure subscription for the securities to manage portfolio investments, to provide financial and investment assistance for the purposes herein, to act as an issue house, registrars to issue, transfer agents, for the securities, to manage and administer computer centers and clearing houses for the securities to form syndicates of consortia of managers, agents and purchasers for or of any of the securities, to act as brokers inter mediators of money market dealers, and agents of or in connection with the securities.
- 3) To manage the funds of investors by investment in various avenues and to provide a complete range of personal financial services like investment planning, estate planning, tax planning, portfolio management consultancy / counseling service.
- 4) To carry on the business of investment in all its aspects and branches, and for that purpose to subscribe, take, purchase, or acquire by original subscription, contract, tender, purchase, exchange, underwriter, participate in syndicates or otherwise and whether or not fully paid up, and to subscribe for the same, subject to such terms and conditions, as may be thought fit and to hold, issue, reissue, sell, pledge, deal or otherwise dispose of shares (whether fully paid or partly paid) stock, debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any Government, sovereign ruler, commissioners, public body or authorities, whether supreme, depodent, municipal, local or otherwise in any part of the world and to underwrite shares, debentures, debenture stock, bonds, notes and other obligation and to mange investment pools, syndicates in shares, stocks and securities.

#### **Our Other Objects**

- (a) To construct a cinematograph theatre and such other building and works and conveniences, for purpose thereof said to manage, maintain and carry on the said theatre and to let out such other buildings when so erected or constructed.
- (b) To carry on business as proprietors and managers of theatres (cinemas, picture places and concert halls) and to provide for the production, representation and performance (whether by mechanical means or otherwise) of operas, stage plays, operattas, burlesques, vaudevilles, revues, ballets, pantomimes, spectacular pieces, promenade, and such other concerts, musical and dramatic performances and entertainments of all types.
- (c) To carry on the business of restaurant keepers, wine and spirit merchants, licensed victualiers, theatrical agents, box office keepers, dramatic and musical literature publishers and printers.
- (d) To manufacture films and such other appliances and machines in connection with mechanical reproduction or transmission of picture, movements, music and sounds and to organize and conduct theatrical production and entertainment of all kinds.
- (e) To enter into agreements with author or such other person, for the dramatic or other rights of operas, plays, films, operatus burlesque, vaudevilles, revues, ballet, pantomimes, spectacular pieces, musical compositions and other dramatic and musical performances and entertainments or for the representation thereof in India and elsewhere, as well as of foreign rights and to enter into engagements of all kinds with artists and such other persons related thereto.
- (f) To carry on in India or elsewhere the business to produce, promote, project, participate, process, prepare, develop, expose, edit, exhibit, make, remake, display, print, reprint, convert, duplicate, finish,

buy, sell, run, export, import of all kinds of motion pictures, cine films, tele films, CD and audio cassettes, Home Videos, documentary films, TV serials, music productions and to act as distributors, proprietors, copyright owners, video right owners, audio right owners etc.

#### Change in our Memorandum of Association\*

Date	Particulars
March 25, 1996	Increase in Authorised Capital from Rs. 100,000 divided into 10,000 equity shares of Rs. 10 each to Rs. 25,00,000 divide into 250,000 equity shares of Rs. 10 each.
February 19, 2003	Increase in Authorised Capital from Rs. 25,00,000 divided into 250,000 equity shares of Rs. 10 each to Rs. 3,00,00,000 divided into 30,00,000 Equity shares of Rs. 10 each.
December 3, 2003	Increase in Authorised Capital from Rs. 30,00,000 divided into 3,00,000 equity shares of Rs. 10 each to Rs. 10,00,00,000 divided into 50,00,000 equity shares of Rs. 10 each and 500,000 Preference shares of Rs. 100 each.
February 10, 2005	Increase in Authorised Capital from Rs. 10,00,00,000 divided into 50,00,000 equity shares of Rs. 10 each and 5,00,000 Preference shares of Rs. 100 each to Rs. 15,00,00,000 divided into 50,00,000 equity shares of Rs. 10 each and 1,00,000 Preference shares of Rs. 100 each.
October 1, 2005	Increase in Authorised Capital from Rs. 15,00,00,000 divided into 50,00,000 equity shares of Rs. 10 each and 10,00,000 Preference shares of Rs. 100 each to Rs. 26,00,00,000 divided into 50,00,000 Equity Shares of Rs. 10 each and 2,10,000 Preference shares of Rs. 100 each.
March 7, 2006	Change in the name of the Company from SGA Finance and Management Sevices Private Limited to Network 18 Fincap Private Limited.
July 15, 2006	Increase and modification in Authorised Capital from Rs. 26,00,00,000 divided into 50,00,000 Equity Shares of Rs. 10 each and 21,00,000 Preference shares of Rs. 100 each to Rs. 46,00,00,000 divided into 5,00,00,000 Equity Shares of Rs. 5 each and 2,10,000 Preference shares of Rs. 100 each .
September 4, 2006	Change in the Objects Clause so as to include under “the other Objects” the business of producing, promoting, projecting, participating, processing, preparing, developing, exposing, editing, exhibiting, making, remaking, displaying, printing, reprinting, converting, duplicating, finishing, buying, selling, running, exporting, importing of all kinds of motion pictures, cine films, tele films, CD and audio cassettes, Home Videos, documentary films, TV serials, music productions and to act as distributors, proprietors, copyright owners, video right owners, audio right owners etc.
October 20, 2006	Change in the name of the Company from Network 18 Fincap Private Limited to Network 18 Fincap Limited consequent to the change in the status of the Company from Private Limited to Public Limited
October 20, 2006	Reclassification of the authorised share capital of the Company resulting in Authorised share capital of Rs. 46,00,00,000 divided into 7,00,00,000 equity shares of Rs. 5 each and 1,10,00,000 lakh preference shares of Rs. 100 each
November 26, 2006	Increase in authorised Capital from Rs. 46,00,00,000 divided into 7,00,00,000 equity shares of Rs. 5 each and 1,10,00,000 lakh preference shares of Rs. 100 each to Rs. 3,06,00,00,000 divided into 110,00,000 Equity shares of Rs. 5 each, 1,20,00,000 Preference shares of Rs. 200 each and 11,00,000 preference shares of Rs. 100 each

*\*The Board has pursuant to a resolution dated July 5, 2007, subject to the approvals of the shareholders and the relevant regulatory authorities, porposed to change the name of the Company to "Network18 Media & Investments Limited" and to also alter the Objects of the Memorandum of Association. The Company proposes to seek the consents of the shareholders through a postal ballot process.*

The details of the capital raised by our Company are given in the section titled “Capital Structure” on page 51 of this Draft Letter of Offer.

## Changes in promoters

The Company was initially promoted by the Anil Jindal family. Ms. Ritu Kapur, wife of Mr. Raghav Bahl acquired 2,50,000 Equity Shares being 100% of the paid up share capital in the Company from the Anil Jindal family on January 22, 2002, pursuant to which the management of our Company was transferred to Ms. Ritu Kapur. Subsequently, on March 28, 2003, 27,50,000 Equity Shares were issued to Mr. Raghav Bahl aggregating to 91.67% of the paid up share capital of the Company, pursuant to which Mr. Raghav Bahl became the Promoter of the Company.

In the information memorandum dated January 5, 2007 filed by the Company with the SEBI and the Stock Exchanges, the Company has disclosed Mr. Raghav Bahl and Mr. Sanjay Ray Chaudhuri as our Promoters. However, pursuant to the resolution of the Board dated March 5, 2007, the Company has declassified Mr. Sanjay Ray Chaudhuri as a promoter with immediate effect. Mr. Sanjay Ray Chaudhuri as on the date of this Draft Letter of Offer holds 4,16,086 Equity Shares aggregating to 0.83% of the paid up share capital of the Company.

## Subscription agreement and Termination agreement between TV18, RVT Investments Private Limited (“RVT”) and our Company

Our Company, TV18 and RVT had entered into a subscription agreement pursuant to which, our Company had the right to at its option to invest in the equity share capital of RVT by subscribing to a preferential issue of 10,000,000 equity shares of Rs. 10 each by RVT. Subsequently, pursuant to the termination agreement dated July 10, 2007, our Company terminated the subscription agreement entered with TV18 and RVT.

## Management Agreements

### Management agreement between our Company, RB Investments Private Limited and Mr. Raghav Bahl

Our Company, RB Investments Private Limited and Mr. Raghav Bahl have entered into a management agreement dated March 30, 2007 pursuant to the requirement of the MIB Guidelines, for the purpose of acting as single unit in managing the matters of TV18 (“TV18 Management Agreement”). Our Company, RB Investments Private Limited and Mr. Raghav Bahl together own and control more than 51 % of the equity shareholding of TV18. Pursuant to this agreement, RB Investments Private Limited and Mr. Raghav Bahl have agreed to act as single unit in managing the matters of the Company and further agree that our Company has the right to appoint the majority of the board of directors of TV18.

Pursuant to the above agreement, TV18 has become our subsidiary.

### Management agreement between our Company, RVT and TV18

Our Company, RVT and TV18 have entered into a management agreement dated March 30, 2007 pursuant to the requirement of the MIB Guidelines, for the purpose of acting as single unit in managing the matters of Global Broadcast News Limited (“GBN Management Agreement”). Our Company, TV18 and RVT together own and control more than 51 % of the equity shareholding of Global Broadcast News Limited. Pursuant to this agreement, RVT and TV18 have agreed to act as single unit in managing the matters of the Company and further agree that our Company has the right to appoint the majority of the board of directors of Global Broadcast News Limited.

Pursuant to the above agreement, Global Broadcast News Limited has become our subsidiary.

## Subsidiaries

Our Company has the following subsidiaries.

S. No.	Name of Subsidiary
1.	Setpro18 Distribution Private Limited
2.	Television Eighteen India Limited
3.	Global Broadcast News Limited
4.	Network18 Holdings Limited (Cayman Islands)
5.	iNews.com Limited

S. No.	Name of Subsidiary
6.	News Wire 18 India Private Limited
7.	RVT Investments Private Limited
8.	Television Eighteen Mauritius Limited
9.	TV18 UK Limited
10.	Web18 Holdings Limited
11.	TV18 HSN Holdings Limited
12.	TV18 Home Shopping Network Private Limited
13.	E-18 Limited
14.	e-Eighteen.com Limited
15.	Television Eighteen Commoditiescontrol.com Limited
16.	Web18 Software Services Limited
17.	Money control Dot Com India Limited
18.	Studio18 UK Limited
19.	BK Holdings Limited
20.	Capital 18 Limited
21.	Network18 India Holdings Private Limited

Except for TV18 and GBN, none of our subsidiaries has made any public or rights issue in the preceding three years. Additionally none of these companies is a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 or is subject to any winding-up order.

#### **Setpro18 Distribution Private Limited** (formerly known as Setpro Holdings Private Limited)

Setpro18 Distribution Private Limited (“Setpro”) was incorporated as Setpro Holdings Private Limited on September 28, 1993. The name was changed to Setpro18 Distribution Private Limited on May 11, 2007. The registered office of the company is located at 601, 6<sup>th</sup> Floor, Commercial Tower, Hotel Le- Meridien, Raisina Road, New Delhi 110 001. Setpro is primarily engaged in the business of a television channel, arranging band placement, seeding of set top boxes within India or abroad and to collect subscription revenues for broadcasters.

The shareholding pattern of Setpro as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Network 18	6,600	66.00
Mr. Sameer Manchanda	3,390	33.90
Ms. Kavita Manchanda	10	0.10
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### **Board of Directors**

The board of directors of Setpro comprises

- Mr. Raghav Bahl
- Mr. Sameer Manchanda

#### **Financial Performance**

The audited financial results of Setpro for the financial years ended March 31, 2007, 2006 and 2005 are set forth below:

*(In Rs.lacs unless otherwise stated)*

	March 31, 2007	March 31, 2006	March 31, 2005
Equity Capital	1.00	1.00	1.00
Reserves (excluding revaluation reserves)	241.71	33.24	(0.23)

	March 31, 2007	March 31, 2006	March 31, 2005
Sales	4,334.28	1,672.91	0.09
Profit After Tax	208.47	33.47	0.02
Earnings Per Share (in Rs.)	2,084.68	334.67	0.20
Net Asset Value	242.71	34.24	0.77
Asset value per share (in Rs.)	2,427.08	342.40	7.73

### Television Eighteen India Limited (“TV 18”)

TV18 was incorporated on September 24, 1993. The registered office of the company is located at 601, 6<sup>th</sup> Floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi 110 001. TV18 is primarily engaged in the business of producing, buying, selling, importing, or otherwise dealing in television programmes, television films, cinematographic films, video films, video software and to deal in computer software all over India and elsewhere in the world.

The equity shares of TV18 are listed on the BSE and the NSE. The equity shares of TV18 were also listed on the Delhi Stock Exchange Association Limited but were voluntarily delisted from the said exchange with effect from October 14, 2005.

The authorized capital of TV18, has not been increased in the last six months except as given below.

Date	Change
September 7, 2007	The authorised share capital was increased from Rs. 55,00,00,000 divided into 10,00,00,000 equity shares of Rs. 5 each and 5,00,000 preference shares of Rs. 100 each to Rs. 70,00,00,000 divided into 13,00,00,000 equity shares of Rs. 5 each and 5,00,000 preference shares of Rs. 100 each.

### Shareholding Pattern

The shareholding pattern of TV18 as of August 31, 2007 is as follows:

Name of Shareholder	No. of Equity Shares	% of Shareholding
<b>Promoter/Promoter Group</b>		
Mr. Raghav Bahl	13,73,388	2.40
Network 18	2,78,14,553	48.63
Mr. Sanjay Ray Chaudhuri	65,434	0.11
Ms. Ritu Kapur	26,611	0.05
Ms. Vandana Malik	10,874	0.02
Mr. PN Bahl	41,463	0.07
Ms. Subhash Bahl	41,463	0.07
<b>Total shareholding of Promoter/Promoter Group</b>	<b>2,93,73,786</b>	<b>51.35</b>
<b>Institutions</b>		
Mutual Funds /UTI	73,99,900	12.94
Foreign Institutional Investors	99,33,603	17.37
Financial Institutions/ Banks	13,290	0.02

Name of Shareholder	No. of Equity Shares	% of Shareholding
<b>Total shareholding of institutions</b>	<b>173,46,793</b>	<b>30.33</b>
<b>Non Institutions</b>		
Bodies Corporate	37,17,755	6.50
Any other (OCBs)	3,82,305	0.67
Individuals/others	1,68,59,418	11.07
<b>Total shareholding of non institutions</b>	<b>2,09,59,478</b>	<b>18.24</b>
<b>Total</b>	<b>572,00,318</b>	<b>100.00</b>

### **Board of Directors**

The board of directors of TV18 comprises

- Mr. G. K. Arora
- Mr. Raghav Bahl
- Mr. Sanjay Ray Chaudhuri
- Mr. P.N. Bahl
- Ms. Vandana Malik
- Mr. Hari S. Bhartia
- Mr. Manoj Mohanka

### **Financial Performance**

The audited financial results of TV18 for the period ended March 31, 2007, 2006 and 2005 are set forth below:

*(In Rs.lakhs unless otherwise stated)*

Particulars	March 31, 2007	March 31, 2006	March 31, 2005
Equity Capital	2,828.00	2,104.32	1,690.24
Reserves (excluding revaluation reserves)	24,206.00	19,354.70	9,254.65
Sales/Turnover	20,174.00	13,178.21	8,348.37
Profit After Tax	1,751.00	1,949.62	1,948.81
Earnings Per Share (in Rs.)	3.24	7.16	12.17
Net Asset Value	26,943.00	21,561.73	10,755.62
Asset value per share (in Rs.)	47.64	102.47	63.64

### **Share Quotations**

The equity shares of TV18 are traded on the BSE and NSE. The details of the highest and lowest price on the BSE and the NSE during the preceding six months are as follows:

Period	BSE		NSE	
	High	Low	High	Low
March 2007	622.00	516.00	624.00	507.20
April 2007	766.00	560.00	768.00	580.25
May 2007	914.80	672.00	913.00	670.00
June 2007	946.40	795.00	945.00	792.00
July 2007	949.00	811.00	947.00	802.30
August 2007	830.00	727.00	838.80	742.90

[Source: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)]

### ***Promise v/s Performance***

TV18 has made a rights issue in October, 2004, of 1,294,432 equity shares of Rs. 10 each at a premium of Rs. 150 per share for cash with two detachable warrants on a rights basis to the existing equity shareholders of the company in the ratio of one equity share with two detachable warrants for every 12 equity shares held on record date aggregating Rs. 207,109,120.00.

<b>Issue Open date</b>	<b>Issue Close date</b>	<b>Objects of the Issue</b>	<b>Actual Performance achieved</b>
September 30, 2004	October 15, 2004	To augment its capital base to meet the capital expenditure on new production and broadcasting facilities, including civil works, construction of studios, purchase of state of the art editing and graphics equipment, cameras, upgradation of operating softwares etc.	The objectives of the issue have been met

### **Global Broadcast News Limited (“GBN”)**

GBN was incorporated on June 6, 2005. The registered office of the company is located at 601, 6th Floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi 110 001. GBN is primarily engaged in business of broadcasting, telecasting relaying, transmitting or distributing in any manner, any audio, video or other programmes or software for television radio, internet or any other media through, including but not limited to, terrestrial satellite, cable, direct to home, internet or interactive television network.

The equity shares of GBN are listed on the BSE and the NSE.

The authorized capital of GBN, has not been increased in the last six months.

### ***Shareholding Pattern***

The shareholding pattern of GBN as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>No. of Equity Shares</b>	<b>% of Shareholding</b>
<b>Promoter/Promoter Group</b>		
Mr. Raghav Bahl	727816	2.72
Network 18	10411028	38.95
RVT Investments	4690899	17.55
<b>Total shareholding of Promoter/Promoter Group</b>	<b>15829743</b>	<b>59.22</b>
<b>Institutions</b>		
Mutual Funds /UTI	1353485	5.06
Foreign Institutional Investors	0	0
Financial Institutions/ Banks	92914	0.35
Venture Capital Funds	2119900	7.93
<b>Total shareholding of institutions</b>	<b>35,66,299</b>	<b>13.34</b>
<b>Non Institutions</b>		
Bodies Corporate	2335412	8.75
Overseas Corporate Bodies	0	0.00
Individuals/others	49,96,709	18.69
<b>Total shareholding of non institutions</b>	<b>7332121</b>	<b>27.44</b>
<b>Total</b>	<b>26728163</b>	<b>100.00</b>

### **Board of Directors**

The board of directors of GBN comprises

1. Mr. Raghav Bahl
2. Mr. Sameer Manchanda
3. Mr. Sanjay Ray Chaudhuri
4. Mr. G K Arora
5. Mr. Hari S Bhartia
6. Mr. Shahzaad Dalal
7. Mr. Manoj Mohanka\*

\*Subject to the approval of the Ministry of Information and Broadcasting.

### **Financial Performance**

The audited financial results of GBN for the period ended March 31, 2006 and 2007 are set forth below:

*(In Rs.lakhs unless otherwise stated)*

	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Equity Capital	2,673.00	1,000.00
Reserves (excluding revaluation reserves)	18,485.00	(1,519.78)
Sales/Turnover	8,088.00	652.47
Profit After Tax	(3,203.00)	(4,608.55)
Earnings Per Share (Rs.)	(14.58)	(47.52)
Net Asset Value	13,302.00	(519.77)
Asset value per share (Rs.)	49.77	(5.20)

### **Share Quotations**

The equity shares of GBN were listed on the BSE and NSE on March 23, 2007. The details of the highest and lowest price on the BSE and the NSE during the preceding six months are as follows:

<b>Period</b>	<b>BSE</b>		<b>NSE</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
March 2007	604.85	474.00	606.20	472.80
April 2007	625.00	506.00	626.80	504.65
May 2007	934.90	606.00	934.70	575.00
June 2007	969.00	850.10	973.70	850.00
July 2007	951.60	790.50	949.00	755.50
August 2007	935.00	738.00	934.30	707.70

[Source: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)]

### **Promise v/s Performance**

GBN has made a public issue on January 22, 2007 of 4,200,000 equity shares of Rs. 10 each at a premium of Rs 240 per equity share for cash

Issue Open date	Issue Close date	Objects of the Issue	Actual Performance achieved
January 15, 2007	January 18, 2007	The object of the issue was to further investment for expansion into Hindi news genre by investment in BK Fincap Private Limited and repayment of a loan	The objectives of the issue have been met

### Network 18 Holdings Limited

Network 18 Holdings Limited was incorporated on April 19, 2006 as TV18 Holdings Limited. The name was subsequently changed to Network 18 Holdings by certificate of incorporation dated January 25, 2007. The registered office of the company is located at P.O. Box-309, GT, George Town, South Church Street, Grand Cayman, Cayman Islands. The objects of the company are unrestricted and the company can carry out any object not prohibited by the companies law or any other law of the Cayman Islands.

### Shareholding Pattern

The shareholding pattern of Network 18 Holdings as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Issued Capital (approximated)
Television Eighteen Mauritius Limited	1	0.01
Network 18 Fincap Limited	1,50,00,00	99.99
<b>Total</b>	<b>1,500,001</b>	<b>100.00</b>

### Board of Directors

The board of directors of Network 18 Holdings comprises

- Mr. Raghav Bahl
- Mr. Haresh Chawla

### Financial Performance

The audited financial results of Network18 Holdings for the period ended March 31, 2007 is set forth below:

*(In USD unless otherwise stated)*

	March 31, 2007
Equity Capital	15,00,001.00
Reserves (excluding revaluation reserves)	(31,914.00)
Income	3,850.00
Profit After Tax	(31,914.00)
Earnings Per Share (USD)	(0.02)
Net Asset Value	1,468,087.00
Asset value per share (USD)	0.98

### iNews.com Limited (“iNews”)

iNews was incorporated on August 28, 2000 as iNews.com Private Limited. It subsequently became a deemed public company with effect from September 6, 2000 and the name of the company was changed to iNews.com Limited. The registered office of the company is located at 601, 6<sup>th</sup> Floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi – 110 001. The main objects of iNews is distributing, creating and operating websites, marketing and distribution of any financial or other products or services, to promote, own, establish or operate remote facilities for trading, marketing or distribution of any financial or other products or

services, internet service providers, designing, developing, marketing, distributing and licensing software products and services for the purpose of communications relating to any financial or other products or services. The Company is yet to commence business.

### **Shareholding Pattern**

The shareholding pattern of iNews as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
TV18*	5,949,000	99.15
Mr. Raghav Bahl	51,000	0.85
<b>Total</b>	<b>6,000,000</b>	<b>100.00</b>

\* Mr. Sanjay Ray Chaudhuri, Mr. RDS Bawa, Mr. Anil Srivastava, Ms. Ritu Kapur and Ms. Megha Joshi hold one equity share each as nominee of TV18.

### **Board of Directors**

The board of directors of iNews comprises

- Mr. Raghav Bahl
- Mr. Sanjay Ray Chaudhuri
- Ms. Vandana Malik

### **Financial Performance**

The audited financial results of iNews for the period ended March 31, 2006, 2005 and 2004 are set forth below:

*(In Rs. lakhs unless otherwise stated)*

	<b>March 31, 2007</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Equity Capital	600.00	600.00	600.00
Reserves (excluding revaluation reserves)	37.37	37.70	36.94
Sales/Turnover	-	1.18	18.84
Profit After Tax	(0.33)	0.77	17.86
Earnings Per Share (in Rs.)	0.01	0.01	0.30
Net Asset Value	454.58	513.02	573.15
Asset value per share(in Rs.)	7.58	8.55	9.55

### **News Wire 18 India Private Limited (“Newswire”)**

Newswire was incorporated on September 18, 2006, as Livewire Motion Pictures Private Limited. The name of the company was subsequently changed to News Wire 18 India Private Limited on December 13, 2006. The registered office of the company is located at First Floor, Empire Building, 414, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013. The company is authorised to carry on, among others, the business of being proprietors, managers, producers, distributors, exhibitors, importers, exporter, demonstrators and representation of motion pictures including feature films, short films, promotional films and documentary films, television commercials, T.V. serials, films, multimedia, interactive T.V. Video.

### **Shareholding Pattern**

The shareholding pattern of Newswire as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
TV18*	2,208,016	100.00
<b>Total</b>	<b>2,208,016</b>	<b>100.00</b>

\* One equity share is held by Mr. Raghav Bahl as nominee of TV18

#### **Board of Directors**

The board of directors of Newswire comprises

- Mr. Sanjay Ray Chaudhuri
- Ms. Vandana Malik
- Mr. Raghav Bahl

#### **Financial Performance**

The audited financial results of Newswire for the period ended March 31, 2007 is set forth below:

*(In Rs.lakhs unless otherwise stated)*

	<b>March 31, 2007</b>
Equity Capital	111.00
Reserves (excluding revaluation reserves)	(274.98)
Sales/Turnover	52.15
Profit After Tax	(714.98)
Earnings Per Share (Rs.)*	(64.41)
Net Asset Value	(163.97)
Asset value per share (Rs.)	(14.77)

\*Not weighted average

#### **RVT Investments Private Limited (“RVT Investments”)**

RVT Investments was incorporated on July 9, 2006. The registered office of the company is located at 601, 6<sup>th</sup> Floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi – 110 001. The company is primarily engaged in the business of investment and for that purpose subscribe, take, purchase or acquire stock, debentures, bonds and other securities.

#### **Shareholding Pattern**

The shareholding pattern of RVT Investments as of August 31,, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
TV18*	10,000	100.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

\* One equity share is held by Mr. Raghav Bahl as nominee of TV18

#### **Board of Directors**

The board of directors of RVT Investments comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### **Financial Performance**

The audited financial results of RVT for the period ended March 31, 2007 is set forth below:

(In Rs.lakhs unless otherwise stated)

	<b>March 31, 2007</b>
Equity Capital	1.00
Reserves (excluding revaluation reserves)	5,270.70
Sales/Turnover	-
Profit After Tax	(0.99)
Earnings Per Share (Rs.)	(9.89)
Net Asset Value	5,315.16
Asset value per equity share (Rs.)	53,151.56

### **Television Eighteen Mauritius Limited (“TEML”)**

TEML was incorporated on October 29, 1996. The registered office of the company is located at 608 St. James Court, St. Denis Street, Port Louis, Mauritius. The company is primarily engaged in the business of borrowing or raising money by the issue of debenture stock, bonds, and mortgages.

### **Shareholding Pattern**

The shareholding pattern of TEML as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
TV18	12,295,000	100.00
<b>Total</b>	<b>12,295,000</b>	<b>100.00</b>

### **Board of Directors**

The board of directors of TEML comprises

- Mr. Raghav Bahl
- Mr. R.D.S Bawa
- Mr. Manoj Mohanka
- Mr. Shariff Golam Hossen
- Mr. M. Aslam Koomar

### **Financial Performance**

The audited financial results of TEML for the period ended March 31, 2007, 2006 and 2005 are set forth below

(In USD lakhs unless otherwise stated)

	<b>March 31, 2007</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Equity Capital	123.00	122.95	122.95
Reserves (excluding revaluation reserves)	14.34	(3.72)	(37.48)
Sales/Turnover	67.27	40.94	38.92
Profit After Tax	18.07	33.76	31.71
Earnings Per Share (in USD)	0.15	0.27	0.26
Net Asset Value	137.29	119.22	85.46
Asset value per share (in USD)	1.12	0.97	0.70

### **TV18 UK Limited (“TUL”)**

TUL was incorporated on October 24, 2005. The registered office of the company is located at 1 Conduit Street, London W1S 2XA, U.K. The object of the company is to carry on the business and undertaking of a general commercial company in all respects.

#### ***Shareholding Pattern***

The shareholding pattern of TUL as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Television Eighteen Mauritius Limited	1	100.00
<b>Total</b>	<b>1</b>	<b>100.00</b>

#### ***Board of Directors***

Mr. R.D.S.Bawa is the director of TUL.

#### ***Financial Performance***

*(In GBP unless otherwise stated)*

	<b>March 31, 2007</b>
Equity Capital	1.00
Reserves (excluding revaluation reserves)	(12,572.00)
Sales/Turnover	173,693.00
Profit After Tax	(12,572.00)
Earnings Per Share (in GBP)	(12,572.00)
Net Asset Value	(12,571.00)
Asset value per share (in GBP)	(12,571.00)

### **Web18 Holdings Limited (“WHL”)**

WHL was incorporated on April 19, 2006. The registered office of the company is located at P.O.Box-309, GT, George Town, South Church Street, Grant Cayman, Cayman Islands. The objects of the company are unrestricted and the company can carry out any object not prohibited by the companies law or any other law of the Cayman Islands.

#### ***Shareholding Pattern***

The shareholding pattern of WHL as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Television Eighteen Mauritius Limited	25,400,013	93.80
BK Media Mauritius Limited	1,678,738	6.20
<b>Total</b>	<b>27,078,751</b>	<b>100.00</b>

### **Board of Directors**

The board of directors of WHL comprises

- Mr. Raghav Bahl
- Mr. Haresh Chawla

### **Financial Performance**

The audited financial results of WHL for the period ended March 31, 2007 is set forth below:

*(In USD lacs unless otherwise stated)*

	<b>March 31, 2007</b>
Equity Capital	2.58
Reserves (excluding revaluation reserves)	0.82
Sales/Turnover	1.48
Profit After Tax	0.82
Earnings Per Share (USD)	0.003
Net Asset Value	3.40
Asset value per equity share (USD)	0.01

### **TV18 HSN Holdings Limited (“THHL”)**

THHL was originally incorporated as 18 Holdings Cyprus Limited on April 29, 2006. The name of the company was subsequently changed to TV18 HSN Holdings Limited with effect from September 4, 2006. The registered office of the company is located at Themistokli Dervi, 48 Centennial Building, Flat/Office 701, P.C.1066, Nicosia, Cyprus. The objects of the company are to establish joint ventures companies, purchase trademarks, patents etc, consultancy, business of an investment company etc.

### **Shareholding Pattern**

The shareholding pattern of THHL as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Network 18 Holdings	14,48,900	100.00
<b>Total</b>	<b>14,48,900</b>	<b>100.00</b>

### **Board of Directors**

The board of directors of THHL comprises

- Mr. Raghav Bahl
- Mr. Haresh Chawla
- Mr. Ravi Chandra Adusumali
- Mayda Nishanian
- Milorad Vujnovic

### **Financial Performance**

The audited financial results of THHL for the period ended March 31, 2007 is set forth below:

(In US\$ unless otherwise stated)

	March 31, 2007
Equity Capital	14.49
Reserves (excluding revaluation reserves)	44.75
Total Income	1.86
Profit After Tax	0.77
Earnings Per Share (Rs.)	0.05
Net Asset Value	64.07
Asset value per share (Rs.)	4.42

### TV18 Home Shopping Network Private Limited (“THSPL”)

THSPL was incorporated on June 13, 2006. The registered office of the company is located at 601, 6<sup>th</sup> floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi 110 001. The company is primarily engaged in the business of marketing, selling, trading, export, import, distributorship, supply of all kinds of home products, goods and services through internet and other electronic mode.

#### Shareholding Pattern

The shareholding pattern of THSPL as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
TV18 HSN Holdings Limited	6,18,559	100.00
<b>Total</b>	<b>6,18,559</b>	<b>100.00</b>

#### Board of Directors

The board of directors of THSPL comprises

- Mr. Raghav Bahl
- Mr. Sanjay Ray Chaudhuri

#### Financial Performance

The audited financial results of THSPL for the period ended March 31, 2007 is set forth below:

(In Rs. Lakhs unless otherwise stated)

	March 31, 2007
Equity Capital	21.24
Reserves (excluding revaluation reserves)	64.92
Sales/Turnover	37.83
Profit After Tax	(420.76)
Earnings Per Share (Rs.)*	(198.13)
Net Asset Value	187.33
Asset value per share (Rs.)	88.21

\*Net weighted average

### **E-18 Limited (“E-18 L”)**

E-18 L was originally incorporated as Tadcaster Limited on February 13, 2006. The name of the company was subsequently changed to E-18 Limited with effect from July 17, 2006. The registered office of the company is located at Themistokli Dervi, 48 Centennial Building, Flat/Office 701, P.C.1066, Nicosia Cyprus. The objects of the company are business of an investment company, general trade, consultancy, industrial activities etc.

#### ***Shareholding Pattern***

The shareholding pattern of E-18 L as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Web18 Holdings Limited	3,760	100.00
<b>Total</b>	<b>3,760</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of E-18 L comprises

- Mr. Raghav Bahl
- Mr. Haresh Chawla
- Mayda Nishanian
- Milorad Vujnovic

#### ***Financial Performance***

The audited financial results of E-18 L for the period ended March 31, 2007 is set forth below:

	<i>(In USD unless otherwise stated)</i>
	<b>March 31, 2007</b>
Equity Capital	3,760.00
Reserves (excluding revaluation reserves)	10,013,330.00
Sales/Turnover	3,085.00
Profit After Tax	(28,605.00)
Earnings Per Share (USD)	(7.60)
Net Asset Value	10,017,090.00
Asset value per share (USD)	2,664.00

### **e-Eighteen.com Limited (“EEL”)**

EEL was incorporated on March 28, 2000. The registered office of the company is located at 601, 6<sup>th</sup> floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi 110 001. The company is primarily engaged in the business of providing /operating internet services, web based electronic commerce and other allied services.

#### ***Shareholding Pattern***

The shareholding pattern of EEL as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
E-18 Limited	4,968,894	91.95
Others	435,106	8.05
<b>Total</b>	<b>5,404,000</b>	<b>100.00</b>

### **Board of Directors**

The board of directors of EEL comprises

- Mr. Raghav Bahl
- Mr. Sanjay Ray Chaudhuri
- Mr. R.D.S Bawa.
- Ms. Vandana Malik
- Mr. Haresh Chawla

### **Financial Performance**

The audited financial results of EEL for the period ended March 31, 2007, 2006 and 2005 are set forth below:  
(In Rs.lakhs unless otherwise stated)

	<b>March 31, 2007</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Equity Capital	540.40	540.40	540.40
Reserves (excluding revaluation reserves)	73.70	25.77	(471.77)
Sales/Turnover	2,142.71	964.29	222.69
Profit After Tax	47.94	519.27	21.73
Earnings Per Share (in Rs.)	0.89	9.61	0.40
Net Asset Value	614.10	566.17	46.89
Asset value per share (in Rs.)	11.36	10.48	0.87

### **Television Eighteen Commoditiescontrol.com Limited (“TCCL”)**

TCCL was incorporated on March 17, 1997. The registered office of the company is located at 601, 6<sup>th</sup> floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi 110 001. The company is primarily engaged in the business of dealing in goods and commodities on the internet; software packages for traders, on line trading and e-commerce activities.

### **Shareholding Pattern**

The shareholding pattern of TCCL as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
E-18 Limited	317,040	79.97
TV-18* through its nominees	100	0.03
Agri Informatics India Private Limited	79285	20.00
<b>Total</b>	<b>396,425</b>	<b>100.00</b>

\* Mr. Raghav Bahl, Mr. Sanjay Ray Chaudhuri, Mr. Sanjeev Kulshreshtha, Mr. RDS Bawa, Mr. Anil Srivastava, Ms. Ritu Kapur and Ms. Megha Joshi hold one equity share each as nominees of TV18.

### **Board of Directors**

The board of directors of TCCL comprises

- Mr. R.D.S Bawa
- Ms. Vandana Malik
- Ms. Ritu Kapur

- Ms. Megha Joshi
- Mr. Atul Malhotra

### **Financial Performance**

The audited financial results of TCCL for the period ended March 31, 2007, 2006 and 2005 are set forth below:

*(In Rs)*

	<b>March 31, 2007</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Equity Capital	39.64	39.64	31.71
Reserves (excluding revaluation reserves)	(501.50)	(237.97)	(101.89)
Sales/Turnover	211.82	158.29	48.10
Profit After Tax	(263.52)	(136.08)	(44.82)
Earnings Per Share	(66.47)	(34.36)	(14.14)
Net Asset Value	(461.85)	(198.37)	(70.25)
Asset value per share	(116.50)	(50.09)	(22.16)

### **Web 18 Software Services Limited (“WSSL”)**

WSSL was incorporated on July 10, 2006. The registered office of the company is located at 601, 6<sup>th</sup> floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi 110 001. The company is primarily engaged in the business of providing /operating internet services, web based electronic commerce and other allied services.

### **Shareholding Pattern**

The shareholding pattern of WSSL as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
E-18 Limited*	224, 650	100.00
<b>Total</b>	<b>224, 650</b>	<b>100.00</b>

\* Mr.Raghav Bahl, Mr. Sanjay Ray Chaudhuri, Mr.Sameer Manchanda, Mr. RDS Bawa, Mr. Anil Srivastava, Mr. Ajay Chand hold one equity share each as nominee of E-18 Limited.

### **Board of Directors**

The board of directors of WSSL comprises

- Mr.Raghav Bahl
- Mr. Sanjay Ray Chaudhuri
- Mr. Sameer Manchanda

### **Financial Performance**

The audited financial results of WSSL for the period ended March 31, 2007 is set forth below:

(In Rs. lakhs unless otherwise stated)

	<b>March 31, 2007</b>
Equity Capital	22.47
Reserves (excluding revaluation reserves)	(14.15)
Sales/Turnover	815.35
Profit After Tax	(632.34)
Earnings Per Share (Rs.)	(281.48)
Net Asset Value	2.00
Asset value per equity share (Rs.)	0.89

### **Money control Dot Com India Limited (“MCDIL”)**

MCDIL was incorporated on July 12, 1999. The registered office of the company is located at first floor, Empire Building, 414, Senapati Bapat Marg, Lower Parel, Mumbai-400013. The company is primarily engaged in the business of investors’ consultants, brokering, merchant banking, dealers, software development etc. in respect of the securities and financial products like loan , deposits, credit cards etc.

### **Shareholding Pattern**

The shareholding pattern of MCDIL as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
e-Eighteen.com Limited	499,900	99.98
Mr. Raghav Bahl	50	0.010
Mr. Hareesh Chawla	10	0.002
Mr. Sanjay Ray Chaudhuri	10	0.002
Ms. Vandana Malik	10	0.002
Mr. R.D.S. Bawa	10	0.002
Ms. Ritu Kapur	10	0.002
<b>Total</b>	<b>500,000</b>	<b>100.00</b>

### **Board of Directors**

The board of directors of MCDIL comprises

- Mr. Raghav Bahl
- Mr. Sanjay Ray Chaudhuri
- Mr. Sameer Manchanda.
- Mr. Hareesh Chawla
- Mr. Rajdeep Sardesai

### **Financial Performance**

The audited financial results of MCDIL for the period ended March 31, 2007, 2006 and 2005 are set forth below:

(In Rs .lakhs unless otherwise stated)

	March 31, 2007	March 31, 2006	March 31, 2005
Equity Capital	5.00	5.00	5.00
Reserves (excluding revaluation reserves)	8.17	9.33	8.70
Sales/Turnover	6.58	1.32	5.33
Profit After Tax	(1.16)	0.63	1.42
Earnings Per Share (in Rs.)	(0.23)	0.13	0.28
Net Asset Value	13.17	14.33	13.70
Asset value per share (in Rs.)	2.63	2.87	2.74

#### **Studio 18 UK Limited (“Studio 18 UK”)**

Studio 18 UK was incorporated on March 1, 2007. The registered office of the company is located at 1 Conduit Street, London, W1S 2XA. The company is primarily engaged in the business of media.

#### **Shareholding Pattern**

The shareholding pattern of Studio 18 UK as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Network 18 Fincap Limited	100*	100.00
<b>Total</b>	<b>100</b>	<b>100.00</b>

\*100 ordinary shares of £1.00 each

#### **Board of Directors**

The board of directors of Studio 18 UK comprises

- Mr. R.D.S. Bawa.

#### **Financial Performance**

Studio 18 UK was incorporated on March 1, 2007. Hence, there are no audited financial results available for the company.

#### **BK Holdings Limited (“BK Holdings”)**

BK Holdings was incorporated on March 23, 2007. The registered office of the company is located at 608, St. James Court, St. Denis Street, Port Louis, Mauritius. The company is primarily engaged in the business of making and managing investments in other companies.

#### **Shareholding Pattern**

The shareholding pattern of BK Holdings as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
TEML	1	100.00
<b>Total</b>	<b>1</b>	<b>100.00</b>

### ***Board of Directors***

The board of directors of BK Holdings comprises

- Fidelity Trust Management Services Limited

### ***Financial Performance***

BK Holdings was incorporated on March 23, 2007. Hence, there are no audited financial results available for the company.

### **Capital 18 Limited (“Capital 18”)**

Capital 18 was incorporated on March 23, 2007. The registered office of the company is located at 608, St. James Court, St. Denis Street, Port Louis, Mauritius. The company is primarily engaged in the business of making venture capital and private equity investments in media entertainment and technology ventures.

### ***Shareholding Pattern***

The shareholding pattern of Capital 18 as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
TEML	1	100.00
<b>Total</b>	<b>1</b>	<b>100.00</b>

### ***Board of Directors***

The board of directors of Capital 18 comprises

- Mr. Raghav Bahl;
- Fidelity Trust Management Services Limited

### ***Financial Performance***

Capital 18 was incorporated on March 23, 2007. Hence, there are no audited financial results available for the company.

### **Network18 India Holdings Limited (“network18 India Holdings”)**

Network18 India Holdings was incorporated on August 13, 2007. The registered office of the company is located at 601, 6<sup>th</sup> floor, commercial tower, hotel Le Meridian, New Delhi. The company is primarily engaged in the business of investment and for that purpose subscribed, take, purchase or acquire stock, debentures, bonds and other securities.

### ***Shareholding Pattern***

The shareholding pattern of network18 India Holdings as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Network 18 Fincap Limited	10,000	100.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

### ***Board of Directors***

The board of directors of network18 India Holdings comprises

- Mr. R.D.S. Bawa
- Mr. Sanjay Ray Chaudhuri

***Financial Performance***

Network18 India Holdings was incorporated on August 13, 2007. Hence, there are no audited financial results available for the company.

## REGULATIONS AND POLICIES

### I. Regulations Governing Non-Banking Financial Companies

#### 1. Reserve Bank of India Act, 1934

Non-banking finance companies (“NBFCs”), including investment companies, are regulated by the Reserve Bank of India (“RBI”), under Chapter III B of the Reserve Bank of India Act, 1934 (“RBI Act”). The RBI Act defines an NBFC under Section 45-I (f) as:

- a. A financial institution which is a company;
- b. A non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; and
- c. Such other non-banking institution or class of such institutions as the RBI may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

A “financial institution” and a “non-banking institution” have been defined under sections 45-I(c) and 45-I (e) of the RBI Act, respectively.

The RBI has clarified, through a press release (Ref. No. 1998-99/1269) dated April 8, 1999, that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of such company to decide its principal business. The company is to be treated as an NBFC if:

- a. its financial assets are over 50 % of its total assets (netted off by intangible assets); and
- b. if its income from financial assets is over 50 % of the gross income

The RBI Act mandates that no NBFC shall commence or carry on the business of a non-banking financial institution without obtaining a certificate of registration (“CoR”). In case an NBFC does not accept deposits from the public (“NBFC-ND”), it shall obtain a CoR without authorisation to accept public deposits. The NBFC must also have a net owned fund of Rs. 200.00 lakhs. The RBI has the power to exempt certain NBFCs from the requirement of obtaining the CoR.

Under Section 45 – IC of the RBI Act, every NBFC must create a reserve fund and transfer thereto a sum not less than 20% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. No appropriation can be made from such fund for any purpose without prior written approval of the RBI.

#### 2. Acceptance of Public Deposits (RBI) Directions, 1998

The Acceptance of Public Deposits (RBI) Directions, 1998 (Notification No. DFC 118/DG (SPT)-98 dated January 31, 1998) classify NBFCs into various categories, one of which is ‘Investment Companies’, which refers to any company which is a financial institution carrying on as its principal business the acquisition of securities. This definition continues under Circular No. DNBS.PD. CC No. 85/ 03.02.089/ 2006-07 dated December 06, 2006, which has reclassified NBFCs. These Directions do not apply to investment companies in their entirety.

#### 3. NBFCs Prudential Norms (RBI) Directions, 1998

In terms of paragraph 9D of the NBFCs Prudential Norms (RBI) Directions, 1998 (“Prudential Norms”), all NBFCs are required to submit a certificate of their Statutory Auditors at the latest by June 30, with reference to the position of the company as at end of the financial year ended March 31, every year. Under the Department of Non-Banking Services (“DNBS”) Circular, dated December 6, 2006, certificates by the Statutory Auditors are also required to indicate the asset income pattern of each NBFC according to the new re-classification.

These prudential norms do not apply in their entirety to an investment company with net owned fund of Rs. 25.00 lakhs and above, that does not accept or hold public deposits, apart from the matters enumerated in the case of all NBFCs, the auditor shall include a statement on the following matters, namely:

- a. Whether the Board of Directors has passed a resolution for the non- acceptance of public deposits;
  - b. Whether the company has accepted any public deposits during the relevant period/year;
  - c. Whether the company has through a Board resolution identified the group/holding/subsidiary companies;
  - d. Whether the cost of investments made in group or holding or subsidiary company is not less than 90 % of the cost of the total assets of the company at any point of time throughout the accounting period/year.
  - e. Whether the company has continued to hold securities of group or holding or Subsidiary companies as long term investments and has not traded in those investments during the accounting year/period.
4. Financial Regulation of Systemically Important NBFCs

The DNBS Circular on Financial Regulation of Systemically Important NBFCs and Banks' Relationship with them (DNBS PD/ CC No. 86/ 03.02.089 /2006-07 dated December 12, 2006), which applies to all NBFCs (deposit taking and non-deposit taking) proposes to introduce a new regulatory framework for "Systemically Important" NBFCs not accepting public deposits. All NBFCs not accepting public deposits with an asset size of Rs. 100.00 crore and more as per the last audited balance sheet will be considered as Systemically Important NBFCs not accepting public deposits. This notification is proposed to be effective from April 1, 2007.

#### 5. Foreign Investment Regulations

As per the DNBS Circular on Financial Regulation of Systemically Important NBFCs and Banks' Relationship with them, dated December 12, 2006, to all NBFCs (deposit taking and non-deposit taking), foreign direct investment ("FDI") in NBFCs is permitted under the automatic route in 19 specified activities subject to compliance with the minimum capitalization norms. NBFCs set up under the automatic route will be permitted to undertake only those 19 activities which are permitted under the automatic route. Subsequent diversification either through the existing company or through downstream NBFCs would require the prior approval of FIPB. Similarly a company which has entered into an area permitted under the FDI policy (such as software) and seeks to diversify into NBFC sector subsequently would also have to ensure compliance with the minimum capitalization norms and other regulations as applicable.

## II. Regulations Governing the Media/Film Production Business

### 1. Cinematograph Act, 1952

The Cinematograph Act, 1952 sets out the law in relation to the certification of cinematograph films for exhibition and for regulating exhibitions by means of cinematographs. Under the Act the Central Government has constituted the Board of Film Certification ("Board"), commonly known as the Censor Board, for the purpose of sanctioning films for public exhibition. The Board may direct the applicant to carry out such excisions or modifications in the film as it thinks necessary before sanctioning the film for public exhibition or refuse to sanction the film for public exhibition.

After examining a film if the Board considers that:

- a. the film is suitable for unrestricted public exhibition, or, for unrestricted public exhibition with an endorsement of the nature mentioned above, it shall grant to the person applying for a certificate in respect of the film a "U" certificate or a "UA" certificate, as the case may be; or
- b. the film is not suitable for unrestricted public exhibition, but is suitable for public exhibition restricted to adults or is suitable for public exhibition restricted to members of any profession or any class of persons, it shall grant to the person applying for a certificate in respect of the film an "A" certificate or a "S" certificate, as the case may be; The certificate granted by the Board is valid throughout India for a period of 10 years.

### 2. Ministry of Information and Broadcasting Regulations

Foreign investment in the news and current affairs television channel broadcasting sector is regulated by the Government of India. The limits of foreign investments in India are provided in the Industrial Policy issued by the Government of India.

- a. Foreign shareholding up to 26% of the paid up equity of the company is permitted with the prior

approval of the Government. However, an entity making portfolio investment in the form of FII/NRIs deposits shall not be “persons acting in concert” with FDI investors, as defined in Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

- b. While calculating foreign equity of the company, the foreign holding component, if any, in the equity of the Indian shareholder companies of the company will be duly reckoned on pro-rata basis, so as to arrive at the total foreign holding in the company. However, the indirect FII equity in a company as on March 31 of the year would be taken for the purposes of pro-rata reckoning of foreign holdings.

In addition, the MIB has established guidelines for investment in Indian companies in the news and current affairs television channel broadcasting sector. In July 2000, the MIB issued the Uplinking Guidelines (“MIB Guidelines”). The MIB Guidelines were formulated to permit privately controlled companies in India to establish uplinking hubs or teleports, permit uplinking of television channels from India and to facilitate Indian news agencies to have their own uplinking facilities for the purposes of news gathering and its further distribution to other news agencies or broadcasters. On March 26, 2003, the GoI introduced guidelines for uplinking of news and current affairs in TV channels from India. The GoI has on December 2, 2005 consolidated and notified these guidelines in supersession of all previous guidelines. The key features of the MIB Guidelines applicable to us are as under:

- a. Foreign shareholding including FDI/FII/NRI investments cannot exceed 26% of the paid up equity of the company. However, an entity making portfolio investment in the form of FII/NRIs deposits shall not be “persons acting in concert” with FDI investors, as defined in Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
- b. Equity held by the largest Indian shareholder should be at least 51% of the total equity, excluding the equity held by public sector banks and public financial institutions as defined in Section 4A of the Companies Act. While calculating foreign equity of the company, the foreign holding component, if any, in the equity of the Indian shareholder companies of the company will be duly reckoned on pro-rata basis, so as to arrive at the total foreign holding in the company. However, the indirect FII equity in a company as on March 31 of the year would be taken for the purposes of pro-rata reckoning of foreign holdings.
- c. It will be obligatory on the part of the company to intimate the MIB of the changes in foreign direct investment in the company, within 15 days of such change. The applicant shall be required to intimate the names and details of all persons, not being resident Indians, who are proposed to be inducted in the board of directors of the company.

## OUR MANAGEMENT

### Board of Directors

Under our Articles of Association we cannot have fewer than three directors or more than 15 directors. We currently have six directors.

The following table sets forth details regarding our Board as on date of filing of this Draft Letter of Offer.

Name, Designation and Occupation	Age	Other directorships
Mr. Raghav Bahl Managing Director Media Professional DIN: 00015280	46	<ol style="list-style-type: none"> <li>1. Television Eighteen India Limited</li> <li>2. e.Eighteen.com Limited</li> <li>3. iNews.com Limited</li> <li>4. Money Control Dotcom India Limited</li> <li>5. Television Eighteen Mauritius Limited, Mauritius</li> <li>6. SGA Media Inc, U.S. A.</li> <li>7. SGA News Limited</li> <li>8. BK Media Private Limited</li> <li>9. Global Broadcast News Limited</li> <li>10. Setpro 18 Distribution Private Limited</li> <li>11. R.B Software Private Limited</li> <li>12. RB Softech Private Limited</li> <li>13. RVT Softech Private Limited</li> <li>14. Network 18 Holdings Limited (Cayman Islands)</li> <li>15. Web 18 Holdings Limited, (Cayman Islands)</li> <li>16. TV18 HSN Holdings Limited, Cyprus</li> <li>17. greycells 18 Media Private Limited</li> <li>18. VT Investments Private Limited</li> <li>19. RB Investments Private Limited</li> <li>20. RVT Investments Private Limited</li> <li>21. RRB Holdings Private Limited</li> <li>22. VT Holdings Private Limited</li> <li>23. TV18 Home Shopping Network Private Limited</li> <li>24. Web18 Software Services Limited</li> <li>25. E-18 Limited, Cyprus</li> <li>26. SAW Holdings Limited, Cyprus</li> <li>27. SAW Inc., U.S. A.</li> <li>28. BK Media Mauritius Private Limited, Mauritius</li> <li>29. News Wire 18 India Private Limited</li> <li>30. IFC Distribution Private Limited</li> <li>31. RRB Holdings Private Limited</li> <li>32. Keyman Financial Services Private Limited</li> <li>33. Tangerine Digital Private Limited</li> <li>34. Silver Ridge Tangerine Sdn Bhd</li> <li>35. IBN Lokmat News Private Limited</li> <li>36. RVT Fincap Private Limited</li> <li>37. RRB Investments Private Limited</li> <li>38. Digital 18 Media Private Limited</li> <li>39. network18 Publications Private Limited</li> <li>40. Ambit Capital Private Limited</li> <li>41. The Indian Film Company Limited</li> <li>42. VT Softech Private Limited</li> <li>43. network18 India Holdings Private Limited</li> </ol>
Ms. Vandana Malik Non-Executive Director Media Professional DIN: 00036382	50	<ol style="list-style-type: none"> <li>1. Television Eighteen India Limited</li> <li>2. Television Eighteen Commodities control.com Limited</li> <li>3. e.Eighteen.com Limited</li> <li>4. iNews.com Limited</li> <li>5. SGA News Limited</li> </ol>

Name, Designation and Occupation	Age	Other directorships
		6. News Wire 18 India Private Limited
Mr. Sanjay Ray Chaudhuri Non-Executive Director Media Professional DIN: 00015365	41	1. Television Eighteen India Limited 2. e-Eighteen.com Limited 3. iNews.com Limited 4. Money Control Dotcom India Limited 5. SGA News Limited 6. Global Broadcast News Limited 7. TV18 Home shopping network Private Limited 8. Web18 Software Services Private Limited 9. News Wire 18 India Private Limited 10. India International Film Advisors Private Limited 11. greycells 18 Media Private Limited 12. Digital 18 Media Private Limited 13. Capital 18 Media Advisors Private Limited
Mr. P.N. Bahl Non-Executive Director Retired Indian Administrative Service Officer DIN: 00471121	74	Television Eighteen India Limited
Mr. Manoj Mohanka Independent Director Businessman DIN: 00128593	44	1. Television Eighteen India Limited 2. Television Eighteen Mauritius Limited 3. Artevea Digital Limited 4. Global Broadcast Limited 5. Titagarh Wagons Limited 6. My Vakil.Com Private Limited 7. Heritage Health Services Private Limited 8.3D Technopack Limited 9. India Carbon Limited
Mr. G. K. Arora Independent Director Retired Indian Administrative Service Officer DIN: 00017824	73	1. Television Eighteen India Limited 2. Alps Industries Limited 3. Bengal Ambuja Housing Development Limited, Kolkata 4. IL&FS Transportation Networks Limited 5. 6. Jaiprakash Associates Limited, New Delhi. 7. Jaiprakash Hydropower Limited 8. Jaypee Karcham Hydro Corporation Limited 9. HGS(India) Limited ,New Delhi 10. Noida Toll Bridge Company Limited 11. Roto Pumps Limited,New Delhi. 12. SARA Funds Trustee Company Private Limited 13. Sunil Healthcare Limited, New Delhi 14. Global Broadcast News Limited 15. Infrastructure Leasing and Financial Services Limited 16. Krishvidur Private Limited 17. SOWAR Private Limited

Apart from Mr. Raghav Bahl, Ms. Vandana Malik and Mr. P.N. Bahl, none of our Directors are related to each other.

### Profiles of our Directors

**Mr. Raghav Bahl**, 46, graduated in B.A. Hons (Economics) from St. Stephens College, and then did his Masters in Business Administration from the University of Delhi. He attended a doctoral program at the Graduate School of Business, Columbia University, New York. Mr. Raghav Bahl has over 20 years experience in television and journalism. He won the Sanskriti Award for Journalism in 1994. He started his career in media in 1985 as a correspondent and anchorperson for Doordarshan. He was the anchorperson and production consultant for

India's first monthly video newsmagazine, Newstrack, produced by the India Today group. From 1991 to 1993 he was the executive director of Business India Television and produced the Business India Show and Business A.M. on Doordarshan.

**Mr. Sanjay Ray Chaudhuri**, 41, graduated in B.A. Hons. (English), from St. Stephens College, Delhi University. He also holds a Degree in Masters in Mass Communications from the Mass Communications Research Centre. He started his career as an independent documentary film-maker for Doordarshan. He went on to direct and present India's first indigenously produced show for satellite television, The India Show. He received the Onida Pinnacle Award for Excellence in Television in 1995.

**Mr. G. K. Arora**, 73, is a retired Indian Administrative Services (IAS) officer. He holds a post graduate degree in History from the University of Allahabad and is also a Master of Public Administration (Harvard University, USA). He held the important posts of Finance Secretary in the Ministry of Finance, Government of India for the year 1989-90 and Secretary in the Ministry of Information & Broadcasting, Government of India for the year 1988. Executive Director to the International Monetary Fund representing India/Bangladesh/Bhutan/ Sri Lanka for 4 years, Economic Minister, Embassy of India, Moscow during 1975-78 and from 1978 to 1981, worked as Commissioner, Kumaon Division and Educational Secretary in Uttar Pradesh. Also held the posts of Joint Secretary (1983), Additional Secretary (1984-87) and Special Secretary (1987) in the Office of the Prime Minister, Government of India.

**Mr. Manoj Mohanka**, 44, is a B. Com (Hons.) from St.Xavier's College and has a Master's degree from the Michael Smurfit Graduate School of Business. Mr. Mohanka is also a Chevening Scholar from the London School of Economics. He has held various positions in industry forums, such as President, Calcutta Chamber of Commerce, Co-Chairman, Economic Affairs Committee of FICCI (ER), Committee Member, Indo-Italian Chamber of Commerce, Board of Governors, Eastern Institute of Management etc. Mr. Manoj Mohanka has made significant contributions in the growth of the Company in respect of fields such as finance, accounts, control, management etc.

**Mr. P. N. Bahl**, 74, Retired Indian Administrative Services (IAS) officer. Mr. Bahl has among others held the posts of Private Secretary to the Union Minister Community Development and Operation for the year 1962-65. Deputy Commissioner, Municipal Corporation of Delhi from 1965-68. Deputy Secretary/Director. Cabinet Secretariat from 1970-73. President of New Delhi Committee from 1973-75. Mr. P.N. Bahl was the Joint Secretary to the Prime Minister's Secretariat at the time of the Emergency in the year 1975.

**Ms. Vandana Malik**, 50, is a graduate in history and also holds a diploma in travel and tourism. From the years 1992-1994 she worked as editorial co-coordinator for Business India Television and Television Eighteen. She has been working as the Bombay-bureau chief of Television Eighteen India Limited since 1994.

### **Compensation of our Director(s)**

#### ***Managing Director***

The Board by its resolution dated August 30, 2006 has appointed Mr. Raghav Bahl as the Managing Director of our Company with effect from September 1, 2006 for a period of five years without any remuneration. This was subsequently approved by the Shareholders vide their resolution dated September 4, 2006.

#### **Non-Executive Directors**

We pay our non-executive Directors sitting fees of Rs. 10,000.00 for every meeting of our Board and Rs. 5,000.00 for a meeting of a committee of the Board, as authorized by Board resolution dated November 27, 2006.

#### **Borrowing Powers of the Board in our Company**

Pursuant to a resolution passed by our shareholders on October 20, 2006 in accordance with provisions of the Companies Act, our Board has been authorised to borrow sums of money for the purpose of the Company upon such terms and conditions as the Board may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the Company shall not exceed, at any time, a sum of Rs. 1,00,000.00 lakhs.

## Corporate Governance

Corporate governance is administered through our Board and the Committees of the Board. In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, we have six Board level Committees in our Company, these are: (i) Audit Committee; (ii) Shareholders / Investor Grievance Committee and (iii) Compensation and Remuneration Committee; and . However, the primary responsibility for upholding corporate governance and providing necessary disclosures within the framework of legal provisions and institutional conventions with commitment to enhance shareholders' value vests with our Board.

As a listed company we are in compliance with the applicable provisions of the Listing Agreements pertaining to corporate governance, including appointment of independent Directors and constitution of Committees. A brief description of the key committees, their scope, composition and meetings for the current year is as follows:

### (i) *Audit Committee*

#### *Members*

- Mr. Manoj Mohanka (Chairman)
- Mr. Sanjay Ray Chaudhuri (Member)
- Mr. G.K.Arora (Member)

Ms. Shilpa Aggarwal our company secretary is the secretary of the Audit Committee in terms of Clause 49 of the Listing Agreement.

The Audit Committee has convened for one meeting until March 16, 2007.

#### *Scope and terms of reference*

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To oversight the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
6. To recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
7. To approve the payment to statutory auditors for any other services rendered by the statutory auditors.
8. To review, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report
9. To review, with the management, the quarterly financial statements before submission to the board for approval.
10. To review, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
11. To review 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.

12. To discuss with internal auditors any significant findings and follow up thereon.
13. To review 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.
14. To discuss 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.
15. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
16. To review the functioning of the whistle blower mechanism, in case the same is existing.
17. To review the following information:
  - a. Management discussion and analysis of financial condition and results of operations;
  - b. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - d. Internal audit reports relating to internal control weaknesses; and
  - e. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee
18. To review the financial statements and in particular the investments made by the unlisted subsidiaries, if any, of the Company.

And to carry out such other functions/powers as may be delegated by the Board to the Committee from time to time.

(ii) ***Shareholders/Investor Grievance Committee***

*Members*

- Mr. Manoj Mohanka (Chairman)
- Mr. Sanjay Ray Chaudhuri (Member)
- Mr. G.K.Arora (Member)

The Shareholders / Investor Grievance Committee has convened one time for a meeting until March 16, 2007

*Scope and Terms of Reference*

1. To redress the investor complaints like non-receipt of balance sheet, non-receipt of declared dividends, non receipt of share certificates, sub-division, consolidation, approval and issue of duplicate share certificates etc;
2. To affix or authorize fixation of the common seal of the Company to the share certificates of the Company;
3. To do all such acts, things or deeds as may be necessary or incidental to redress the investor complaints and
4. To oversee performance of the Registrar and Transfer agents of the Company and recommends measure for overall improvement in the quality of investor service.

We have received one complaint from Shareholders until February 28, 2007 and the same had been resolved to the satisfaction of the shareholder.

(iii) ***Compensation and Remuneration Committee***

*Members*

- Mr. G.K. Arora
- Mr. Manoj Mohanka
- Mr. Sanjay Ray Chaudhuri (Member)

The Compensation and Remuneration Committee was only constituted on March 5, 2007 and had had no meetings since.

*Scope and Terms of Reference*

1. Determine on behalf of the Board and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for executive Directors including pension rights, if any, and any compensation payment.
2. To avoid conflicts of interest, the Remuneration Committee, which would determine the remuneration packages of the executive Directors should comprise of at least three Directors, the Chairman of Committee being an independent Director.
3. To consider the allotment of options/ shares to employees/ Directors of the Company, its holding/ subsidiary companies under various ESOP/ESPP Schemes

Besides the above mentioned Committees, the Company has the following other working committees of the Board:

- (i) Share Transfer Committee;
- (ii) Finance Committee;
- (iii) Rights Issue Committee;
- (iv) Sub-Committee; and
- (v) Allotment Committee.

**Shareholding of our Director(s) in our Company**

The following table details the shareholding of our Director(s) in their personal capacity and either as sole or first holder, as on August 31, 2007 the date of this Draft Letter of Offer.

Name of Director	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)*
Mr. Raghav Bahl	1,02,57,189	[•]
Mr. Sanjay Ray Chaudhuri	4,16,086	[•]
Mr. P.N. Bahl	35,540	[•]
Ms. Vandana Malik	69,321	[•]
Mr. Manoj Mohanka	3,00,000	[•]

*\* Will be filled in at the time filing of Letter of Offer*

All our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof, to the extent of reimbursement of expenses payable to them as detailed in section titled “Our Management—Compensation of our Directors” on page 126 of this Draft Letter of Offer.

All our Directors may be interested in the Equity Shares already held by them or that may be Allotted to them pursuant to the Issue and / or that may be Allotted to companies, firms and trusts in which they are directors, members, partners or trustees, as the case may be.

The Director(s) may have further interest to the extent of any dividend payable to them and other distributions in respect of the equity shares.

**Changes in our Board of Directors during the last three years**

Name	Date of Appointment	Date of Cessation	Reason
Mr. Mohan Lal Jain	January 7, 2002	February 11, 2004	Resignation
Ms. Ritu Kapur	January 7, 2002	October 19, 2006	Resignation
Mr. Raghav Bahl	September 1, 2006	-	Appointed as Managing Director
Mr. Sanjay Ray Chaudhuri	September 4, 2006	-	Appointed as Director
Mr. G K Arora	October 12, 2006	-	Appointed as Additional Director

Name	Date of Appointment	Date of Cessation	Reason
Mr.P N Bahl	October 12, 2006	-	Appointed as Additional Director
Ms. Vandana Malik	October 12, 2006	-	Appointed as Additional Director
Mr. Manoj Mohanka	October 12, 2006	-	Appointed as Additional Director

### Key Managerial Personnel

In addition to Mr. Raghav Bahl, our Managing Director, the following are the key managerial personnels of our Company:

Name	Designation	Date of Joining	Previous Organisation
Mr. Farhad K Wadia	Chief Executive Officer – E 18	May 21, 2007	Hindustan Times
Mr. Manish Chhetri	General Manager – Events and Marketing	July 6, 2007	Hindustan Times
Mr. Aman Kanjhliya	General Manager - Corporate Business (North)	August 29, 2007	Percept D’Mark India Private Limited
Mr. Rohinton Sam Poonawala	General Manager Production & Marketing	July 25, 2007	<ul style="list-style-type: none"> <li>Rohinton Sam Poonawala - Entertainment &amp; Dining International Private Limited</li> <li>Entertainment and Media Consultancy Private. Limited</li> </ul>
Mr. Dharmesh Datta	Assistant Vice President and National Head - Corporate Business	August 27, 2007	The Times of India (360 Degrees)
Ms. Chitra Subramanian	Vice President Production	September 1, 2006	Percept Picture Company
Ms. Deepti Chawla-	Head Creative	July 10, 2006	Sahara One
Ms. Shilpa Aggarwal-	Company Secretary	May 1, 2006	e-Eighteen.com Limited

### Profiles of our Key Managerial Personnel

**Mr. Farhad K Wadia, Chief Executive Officer, E 18.** Mr. Wadia is an economics graduate from Elphinstone College, Mumbai and has completed his post graduation in sound engineering/ music business course from Elephant & Castle Polytechnic, London. He has about 24 years of experience in entertainment, events and marketing promotions and has successfully staged over 300 events across the world. In his 24 years career, he has run an event management company and sound recording facility in Mumbai called Power Production as founder and CEO. His signature event in Mumbai, the *Independence Rock Concert* series is now in its 22<sup>nd</sup> year. He was also with Channel 4 Radio & TV Networks UAE and Ajman TV as the General Manager of the entire network and headed their events, sales and marketing. Prior to joining us, he was employed with the Hindustan Times in New Delhi as vice president - events and marketing.

**Mr. Manish Chhetri, General Manager, Events and Marketing, E 18.** Mr. Manish Chhetri has completed his post graduation in marketing from Indian Institute of Planning and Management and has eight years of experience in the field of concept selling and events management with companies like Conferences & Incentives Management Pvt Ltd, Kids Stuff Promos & Events (Mudra Com), Confederation of Indian Industry (CII) & Times Internet Ltd. Prior to joining us, he was employed with the Hindustan Times Media Ltd as regional manager.

**Mr. Aman Kanjhliya General Manager - Corporate Business (North)** Mr. Aman Kanjhliya has completed his PGD in PR & Advertising from YMCA and PG Certificate in Sales & Mktg Management from IIT, Delhi. He has worked with companies like Asian Age, Rediff.com, 360Degree (Times infotainment) and Percept D'Mark India Pvt Ltd.

**Mr. Rohinton Sam Poonawala General Manager Production & Marketing** Mr. Rohinton Sam Poonawala is a Commerce Graduate and has worked with Culture Club (UTV Group). Prior to joining us, he was running his own Company: Rohinton Sam Poonawala - Entertainment & Dining International Private Limited and Entertainment and Media Consultancy Private. Limited.

**Mr. Dharmesh Datta Assistant Vice President & National Head - Corporate Business** Mr. Dharmesh Datta has done his MBA from Goa Institute of Management, Goa and has worked with Times of India (360 Degrees) , Lintas India, Britt Worldwide, Wizcraft and GE Capital International Services

**Ms. Chitra Subramanian – Vice President Production** - Ms. Subramanian has over 15 years experience in the media and entertainment industry. She has worked with various film directors, including Mr. Sanjay Leela Bhansali, Mr. Ram Gopal Varma and Ms. Meghna Gulzar and with various film producers. Ms. Subramanian joined our Company in Fiscal 2007. Her remuneration is Rs. 38,40,000 lacs per annum.

**Ms. Deepti Chawla- Head Creative** Ms. Chawla has completed her post graduate diploma in film and TV production, and graduation in economics from St. Xavier’s Institute of Communication, from Mumbai and Delhi University, respectively. She has worked with media organizations like Sahara One and UTV. Ms. Chawla joined our Company in Fiscal 2007. Her remuneration is Rs. 28,50,000 lacs per annum

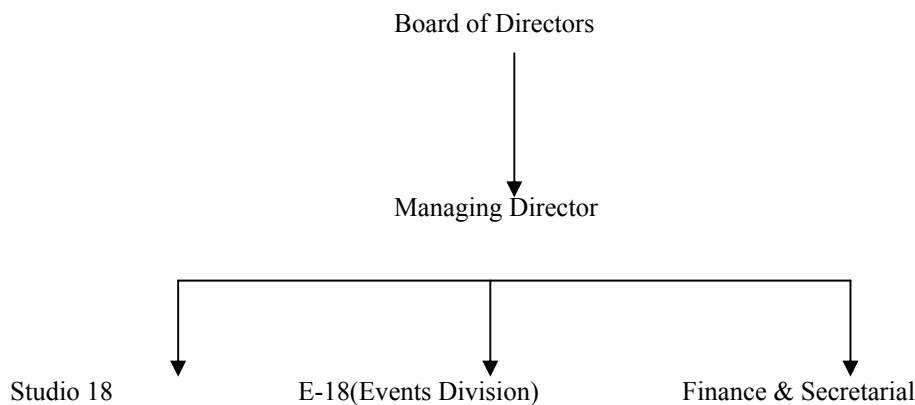
**Ms. Shilpa Aggarwal- Company Secretary** - Ms. Shilpa is a company secretary, and a law graduate. Prior to joining our Company she has been associated with e-Eighteen.com Limited and Vipul Limited. Ms. Aggarwal joined our Company in Fiscal 2007. Her remuneration is Rs. 3,60,000 lacs per annum

The abovementioned Key Managerial Personnel are permanent employees of our Company. The remuneration of the Key Managerial Personnel is as per the statement pursuant to Section 217(2A) of the Companies Act and the Companies (Particulars of Employees) Rules, 1975.

Our Key Managerial Personnel do not hold any equity shares in the Company.

**Organisational Structure**

The organisation structure of the senior management of our Company is given below:  
ORGANISATIONAL STRUCTURE



**Interest of our Promoter, Directors and Key Managerial Personnel**

Except as stated in the sub section titled “Related Party Transactions” in the section titled “Financial Statements – Annexure IV” beginning on page 165 of this Draft Letter of Offer, and to the extent of their shareholding in our Company, our Promoter and Promoter group do not have any other interest in our business.

The key managerial personnels of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per the terms of appointment, incentive payable under the long term incentive plan and reimbursement of expenses incurred by them in the ordinary course of business.

### ***Details of loans taken by Key Managerial Personnel in our Company***

We have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Draft Letter of Offer in which our Directors / key managerial personnels are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them. Our Directors and our key managerial personnels have not taken any loan from our Company.

### ***Changes in our Key Managerial Personnel during the last three years***

The changes in our key managerial personnels during the last three years are as follows:

<b>Name of Key Managerial Personnel</b>	<b>Date of appointment</b>	<b>Date of change</b>	<b>Reason</b>
Mr. Sandeep Bhargava	September 1, 2006	June 17, 2007	Resignation
Mr. Shibasish Sarkar	June 23, 2006	June 30, 2007	Resignation
Ms. Chitra Subramaniam	July 24, 2006	N.A.	Appointed
Ms. Priti Sahani	September 1, 2006	June 17, 2007	Resignation
Mr. Ashok Holla	July 6, 2006	June 30, 2007	Resignation
Ms. Deepti Chawla	July 10, 2006	N.A.	Appointed
Mr. Farhad K Wadia	May 21, 2007	N.A.	Appointed
Mr. Manish Chhetri	July 6, 2007	N.A.	Appointed
Mr. Aman Kanjhlia	August 29, 2007	N.A.	Appointed
Mr. Rohinton Sam Poonawala	July 25, 2007	N.A.	Appointed
Mr. Dharmesh Datta	August 27, 2007	N.A.	Appointed
Ms. Shilpa Aggarwal	September 1, 2006	N.A.	Appointed

### **Employess Stock Option Schemes**

Our Company has through a shareholders resolution dated February 27, 2007 instituted three Employees Stock Option Schemes:

- ESOP Plan A
- ESOP Plan B and
- ESOP Plan C

The Network 18 ESOS are to be administered by the Compensation and Remuneration Committee of the Board of Directors.

I. Key terms of the Network 18 ESOS are listed below:

(a) ESOP Plan A 2007

<b>Particulars</b>	<b>ESOP Plan A 2007</b>
Total number of options to be granted/ shares to be issued under the plan	10,00,000 options to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period
Classes of employees entitled to participate	Eligible employees and Directors of the Company and its holding and subsidiary companies
Vesting requirement and Vesting period	Options to vest equally over a four year period provided the employee continues in service and such other conditions as may be prescribed by the Compensation and Remuneration Committee. Such vesting schedule may however be varied by the Compensation Committee for the benefit of the employees. Special provisions would apply in case of death, permanent incapacitation, misconduct, superannuation or resignation of employee

<b>Particulars</b>	<b>ESOP Plan A 2007</b>
Maximum Vesting Period	Four years from the date of grant
Exercise Price	The options granted to the employees under this plan shall carry an exercise price at a discount of 25% to the market price of the shares determined with respect to the date of grant
Exercise Period	Exercise Period shall be four years from the date of vesting. Special provisions would apply in case of death, permanent incapacitation, misconduct, superannuation or resignation of employee

(b). ESOP Plan B 2007

<b>Particulars</b>	<b>ESOP Plan B 2007</b>
Total number of options to be granted/ shares to be issued under the Plan	10,00,000 options to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period
Classes of employees entitled to participate	Eligible employees and Directors of the Company and its holding and subsidiary companies
Vesting requirement and Vesting period	Options to vest after a period of one year provided the employee continues in service and such other conditions as may be prescribed by the Compensation and Remuneration Committee. Such vesting schedule may however be varied by the Compensation Committee for the benefit of the employees. Special provisions would apply in case of death, permanent incapacitation, misconduct, superannuation or resignation of employee
Maximum Vesting Period	One year from the date of grant
Exercise Price	The options granted to the employees under this plan shall carry an exercise price of Rs 5
Exercise Period	Exercise period shall be four years from the date of vesting. Special provisions would apply in case of death, permanent incapacitation, misconduct, superannuation or resignation of employee

(c). ESOP Plan C 2007

<b>Particulars</b>	<b>ESOP Plan C 2007</b>
Total number of options to be granted/ shares to be issued under the Plan	10,00,000 options to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period
Classes of employees entitled to participate	Eligible employees and Directors of the Company and its holding and subsidiary Companies
Vesting requirement and Vesting period	Options to vest equally over a six year period provided the employee continues in service and such other conditions as may be prescribed by the Compensation and Remuneration Committee. Such vesting schedule may however be varied by the Compensation Committee for the benefit of the employees. Special provisions would apply in case of death, permanent incapacitation, misconduct, superannuation or resignation of employee
Maximum Vesting Period	Six years from the date of grant
Exercise Price	The options granted to the employees under this plan shall carry an exercise price of Rs. 5
Exercise Period	Exercise Period shall be four years from the date of vesting. Special provisions would apply in case of death, permanent incapacitation, misconduct, superannuation or resignation of employee

II. In addition to the Network 18 ESOS disclosed above, pursuant to a shareholders resolution dated February 27, 2007 the following Network 18 ESOP-II Schemes were instituted. The Network 18

ESOP-II Schemes are to be administered by the Compensation and Remuneration Committee of the Board of Directors.

Key terms of the Network 18 ESOP-II Schemes are as follows

i. ESOP 2005

<b>Particulars</b>	<b>ESOP 2005</b>
Total number of options to be granted/ shares to be issued under the Plan	Maximum of 10,80,000 options on equity shares to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period. Maximum options per employee not to exceed options representing rights to 3% of the issued capital in a financial year
Vesting requirement and exercise period	<b><u>In respect of options proposed to be granted in the Company in lieu of options granted in Television Eighteen Employees Stock Option Plan 2005 (“TV18 ESOP 2005”)</u></b>  Options to vest equally over one year to three year period following the date of grant of options under the TV18ESOP 2005  <b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b>  Options granted to a grantee under this plan shall vest with the grantee over a period of one year to three years from the date of grant
Exercise price	<b><u>In respect of options proposed to be granted in your Company in lieu of options granted in TV18 ESOP 2005:</u></b>  The exercise price will be Rs. 97.31  <b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b>  The options granted to the employees under this plan shall carry an exercise price at a discount of 10% to the market price of the shares determined with respect to the date of grant

ii. Long Term Retention ESOP 2005

<b>Particulars</b>	<b>LONG TERM RETENTION ESOP 2005</b>
Total number of options to be granted/ shares to be issued under the Plan	Maximum of 3,00,000 options on equity shares to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period  Maximum options per employee not to exceed options representing rights to 3% of the issued capital in a financial year
Vesting requirement and exercise period	<b><u>In respect of options proposed to be granted in your Company in lieu of options granted in Television Eighteen Long Term Retention Employees Stock Option Plan 2005 (“TV18 ESOP 2005”)</u></b>  Options granted shall vest with the grantee at any time at the end of the fourth year from the date of grant under the TV18ESOP 2005  <b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b>  Options granted to a grantee under this plan shall vest with the grantee at any time at the end of the fourth year from the date of grant
Exercise price	<b><u>In respect of options proposed to be granted in your Company in lieu of options granted in TV18 ESOP 2005:</u></b>

Particulars	LONG TERM RETENTION ESOP 2005
	<p>The exercise price will be Rs. 108.13</p> <p><b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b></p> <p>The options granted to the employees under this plan shall carry an exercise price equivalent to the market price of the shares determined with respect to the date of grant</p>

iii. Strategic acquisitions ESOP 2005

Particulars	STRATEGIC ACQUISITION ESOP 2005
Total number of options to be granted/ shares to be issued under the Plan	<p>Maximum of 7,20,000 options on equity shares to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period</p> <p>Maximum options per employee not to exceed options representing rights to 3% of the issued capital in a financial year</p>
Classes of employees entitled to participate	Employees and Directors of the Company and its subsidiaries
Vesting requirement and exercise period	<p><b><u>In respect of options proposed to be granted in your Company in lieu of options granted in Television Eighteen Strategic Acquisition Employees Stock Option Plan 2005 (“TV18 Strategic ESOP 2005”):</u></b></p> <p>Options shall vest with the grantee at the end of one year from the date of grant of the options under the TV18 Strategic ESOP 2005</p> <p><b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b></p> <p>Options granted to a grantee under this plan shall vest with the grantee at the end of one year from the date of grant</p>
Exercise price	<p><b><u>In respect of options proposed to be granted in your Company in lieu of options granted in TV18 Strategic ESOP 2005:</u></b></p> <p>The exercise will be Rs. 31.67</p> <p><b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b></p> <p>The options granted to the employees under this plan shall carry an exercise price of Rs. 31.67</p>

iv. Stock Awards Plan 2005

Particulars	STOCK AWARDS PLAN 2005
Total number of options to be granted/ shares to be issued under the Plan	<p>Such number of Stock Awards as may be determined by the Compensation Committee to be granted under the plan, convertibility of Stock Awards into equity shares is governed by the plan</p> <p>Maximum options per employee not to exceed options representing rights to 3% of the issued capital in a financial year</p>
Classes of employees entitled to participate	Employees and Directors of the Company and its subsidiaries
Vesting requirement and exercise period	<b><u>In respect of options proposed to be granted in your Company in lieu of options granted in Television Eighteen Stock Awards Plan 2005 (“TV18 Stock Awards Plan 2005”)</u></b>

Particulars	STOCK AWARDS PLAN 2005
	<p>Stock Awards to vest at the end of one year based on the recommendation of Compensation Committee</p> <p><b><u>In respect of fresh stock awards proposed to be granted in your Company under this plan:</u></b></p> <p>Stock Awards to vest at the end of one year based on the recommendation of Compensation Committee</p>
Exercise price	<p><b><u>In respect of fresh stock awards proposed to be granted in your Company under this plan:</u></b></p> <p>Exercise price of Stock Awards shall be average of the two weeks high and low price of the share from the date of listing of shares of the Company on the Stock Exchange with highest trading volumes in that period)</p>

v. ESOP 2004

Particulars	ESOP 2004																														
Total number of options to be granted/ shares to be issued under the Plan	Maximum of 5,73,600 options on equity shares to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period																														
Classes of employees entitled to participate	Employees and Directors of the Company and its subsidiaries																														
Vesting requirement and exercise period	<p><b><u>In respect of options proposed to be granted in your Company in lieu of options granted in Television Eighteen Employees Stock Option Plan 2004 (“TV18 ESOP 2004”):</u></b></p> <p>All options granted to a grantee under this plan shall vest with the grantee at the end of three years from the offer date under the TV18 ESOP 2004</p>																														
Exercise price	<p><b><u>In respect of options proposed to be granted in your Company in lieu of options granted in TV18 ESOP 2004:</u></b></p> <ul style="list-style-type: none"> <li>• The exercise price is detailed as under: <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: right;">(in Rs.)</td> </tr> <tr> <td style="text-align: center;">June 25, 2004</td> <td style="text-align: center;">8.26</td> </tr> <tr> <td style="text-align: center;">June 25, 2004</td> <td style="text-align: center;">43.06</td> </tr> <tr> <td style="text-align: center;">August 20, 2004</td> <td style="text-align: center;">11.46</td> </tr> <tr> <td style="text-align: center;">August 20, 2004</td> <td style="text-align: center;">45.94</td> </tr> <tr> <td style="text-align: center;">April 2, 2005</td> <td style="text-align: center;">19.86</td> </tr> <tr> <td style="text-align: center;">April 2, 2005</td> <td style="text-align: center;">53.49</td> </tr> <tr> <td style="text-align: center;">June 29, 2005</td> <td style="text-align: center;">54.50</td> </tr> <tr> <td style="text-align: center;">June 29, 2005</td> <td style="text-align: center;">84.67</td> </tr> <tr> <td style="text-align: center;">August 6, 2005</td> <td style="text-align: center;">66.63</td> </tr> <tr> <td style="text-align: center;">August 6, 2005</td> <td style="text-align: center;">95.59</td> </tr> <tr> <td style="text-align: center;">June 15, 2006</td> <td style="text-align: center;">64.85</td> </tr> <tr> <td style="text-align: center;">June 15, 2006</td> <td style="text-align: center;">93.99</td> </tr> <tr> <td style="text-align: center;">July 20, 2006</td> <td style="text-align: center;">131.62</td> </tr> <tr> <td style="text-align: center;">July 20, 2006</td> <td style="text-align: center;">154.09</td> </tr> </table> </li> </ul> <p><b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b></p> <ul style="list-style-type: none"> <li>• In respect of 50 percent of the options - discount of Rs. 125 to the market price of the shares determined with respect to the date of grant; and</li> </ul>	(in Rs.)		June 25, 2004	8.26	June 25, 2004	43.06	August 20, 2004	11.46	August 20, 2004	45.94	April 2, 2005	19.86	April 2, 2005	53.49	June 29, 2005	54.50	June 29, 2005	84.67	August 6, 2005	66.63	August 6, 2005	95.59	June 15, 2006	64.85	June 15, 2006	93.99	July 20, 2006	131.62	July 20, 2006	154.09
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Particulars	ESOP 2004
	<ul style="list-style-type: none"> <li>Balance 50 percent of the options - 90 percent of the market price of the shares determined with respect to the date of grant.</li> </ul>

vi. Senior ESOP 2004

Particulars	SENIOR ESOP 2004																		
Total number of options to be granted/ shares to be issued under the Plan	<p>Maximum of 6,00,000 options on equity shares to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period</p> <p>Maximum options per employee not to exceed options representing rights to 2% of the issued capital in a financial year.</p>																		
Classes of employees entitled to participate	Employees and Directors of the Company and its subsidiaries																		
Vesting requirement and exercise period	<p><b><u>In respect of options proposed to be granted in your Company in lieu of options granted in Television Eighteen Senior Employees Stock Option Plan 2004 (“TV18 Senior ESOP 2004”):</u></b></p> <ul style="list-style-type: none"> <li>One third of options granted shall vest after two years from the offer date under TV18 Senior ESOP 2004</li> <li>Balance two-thirds options shall vest after four years from the offer date under TV18 Senior ESOP 2004</li> </ul> <p><b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b></p> <ul style="list-style-type: none"> <li>One third after two years from the date of grant; and</li> <li>Balance two thirds after four years of grant</li> </ul>																		
Exercise price	<p><b><u>In respect of options proposed to be granted in your Company in lieu of options granted in TV18 Senior ESOP 2004:</u></b></p> <ul style="list-style-type: none"> <li>The exercise price is as under:</li> </ul> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: right;">(in Rs.)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">June 25, 2004</td> <td style="text-align: center;">16.17</td> </tr> <tr> <td style="text-align: center;">June 25, 2004</td> <td style="text-align: center;">43.06</td> </tr> <tr> <td style="text-align: center;">April 2, 2005</td> <td style="text-align: center;">27.77</td> </tr> <tr> <td style="text-align: center;">April 2, 2005</td> <td style="text-align: center;">53.49</td> </tr> <tr> <td style="text-align: center;">June 29, 2005</td> <td style="text-align: center;">62.42</td> </tr> <tr> <td style="text-align: center;">June 29, 2005</td> <td style="text-align: center;">84.67</td> </tr> <tr> <td style="text-align: center;">June 15, 2006</td> <td style="text-align: center;">72.77</td> </tr> <tr> <td style="text-align: center;">June 15, 2006</td> <td style="text-align: center;">93.99</td> </tr> </tbody> </table>	(in Rs.)		June 25, 2004	16.17	June 25, 2004	43.06	April 2, 2005	27.77	April 2, 2005	53.49	June 29, 2005	62.42	June 29, 2005	84.67	June 15, 2006	72.77	June 15, 2006	93.99
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	<p><b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b></p> <ul style="list-style-type: none"> <li>In respect of 50 percent of the options - discount of Rs. 100 to the market price of the shares determined with respect to the date of grant; and</li> <li>Balance 50 percent of the options - 90 percent of the market price of the shares determined with respect to the date of grant</li> </ul>																		

vii.

ESPP 2003

<b>Particulars</b>	<b>ESPP 2003</b>
Total number of options to be granted/ shares to be issued under the Plan	Maximum of 28,272 equity shares to be issued under the plan.  Maximum shares offered per employee not to exceed 1% of the issued capital in a financial year.
Classes of employees entitled to participate	Employees and Directors of the Company and its subsidiaries
Lock in requirement.	<b><u>In respect of the shares to be offered in your Company in lieu of options granted in Television Eighteen Employees Stock Purchase Plan 2003 (“TV18 ESPP 2003”):</u></b>  Employees who acquire shares under ESPP 2003 would not be able to transfer such shares within one year of acquisition of such shares.  <b><u>In respect of fresh shares to be offered in your Company under this plan:</u></b>  Employees who acquire shares under ESPP 2003 would not be able to transfer such shares within one year of acquisition of such shares.
Exercise price	<b><u>In respect of the shares to be offered in your Company in lieu of options granted in TV18 ESPP 2003:</u></b>  <ul style="list-style-type: none"> <li>• Shares to be offered at 95 percent of market price on date of offer of shares. (Market price based on average of the two weeks high and low price of the share preceding the grant date on the Stock Exchange with highest trading volumes in that period)</li> </ul> <p>In respect of fresh shares proposed to be offered in your Company under this plan:</p> <ul style="list-style-type: none"> <li>• Shares to be offered at 95 percent of market price on date of offer of shares. (Market price based on average of the two weeks high and low price of the share preceding the grant date on the Stock Exchange with highest trading volumes in that period)</li> </ul>

viii.

ESOP 2002

<b>Particulars</b>	<b>ESOP 2002</b>
Total number of options to be granted/ shares to be issued under the Plan	Maximum of 3,22,380 options on equity shares to be granted under the plan, each option convertible into one equity share of Rs. 5 each at the end of vesting period.
Classes of employees entitled to participate	Employees and Directors of the Company and its subsidiaries
Vesting requirement and exercise period	<b><u>In respect of options proposed to be granted in your Company in lieu of options granted in Television Eighteen Employees Stock Option Plan 2002 (“TV18 ESOP 2002”):</u></b>  <ul style="list-style-type: none"> <li>• 50% of the options granted shall vest with the grantee after one year from the date of the grant under TV18ESOP 2002; and</li> <li>• Balance 50% of the options granted shall vest with the grantee after two years from the date of the grant under TV18ESOP 2002.</li> </ul>

Particulars	ESOP 2002				
	<p><b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b></p> <ul style="list-style-type: none"> <li>• 50% of the options granted shall vest with the grantee after one year from the date of the grant; and</li> <li>• Balance 50% of the options granted shall vest with the grantee after two years from the date of the grant.</li> </ul>				
Exercise price	<p><b><u>In respect of options proposed to be granted in your Company in lieu of options granted in TV18 ESOP 2002:</u></b></p> <ul style="list-style-type: none"> <li>• The exercise price is as under: <span style="float: right;">(in Rs.)</span></li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">December 1, 2005</td> <td style="text-align: center;">Rs. 5</td> </tr> <tr> <td style="text-align: center;">June 15, 2006</td> <td style="text-align: center;">Rs. 5</td> </tr> </table>	December 1, 2005	Rs. 5	June 15, 2006	Rs. 5
December 1, 2005	Rs. 5				
June 15, 2006	Rs. 5				
	<p><b><u>In respect of fresh options proposed to be granted in your Company under this plan:</u></b></p> <p>The options granted to the employees under this plan shall carry an exercise price of Rs. 5.</p>				

**Payment of 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.

## PROMOTER AND PROMOTER GROUP

The Promoter of our Company is Mr. Raghav Bahl



**Mr. Raghav Bahl**, 46 years, (Passport no. E1741557, Voter Id number: DL\02\010\051508, PAN: AALPB0480G), a resident Indian national is our Promoter. He graduated in B. A. Hons. (Economics) from St. Stephens College, Delhi University and then did his Masters in Business Administration from the Delhi University. He attended a doctoral program at the Graduate School of Business, Columbia University, New York. Mr. Bahl has over 20 years experience in television and journalism. He won the 'Sanskriti Award for Journalism' in 1994. He started his career in media in 1985 as a correspondent and anchorperson for Doordarshan. He was the anchorperson and production consultant for India's first monthly video newsmagazine, Newstrack, produced by the India Today group. From 1991 to 1993 he was the Executive Director of Business India Television and produced the Business India Show and Business A.M. on Doordarshan. He is currently the Managing Director of our Company.

### Promoter Group

In addition to our Promoter named above, the following natural persons and companies are part of our Promoter group.

The natural persons who are part of our Promoter group (due to their relationship with our Promoter), other than the Promoter named above are as follows:

Mr. Pran Nath Bahl (father of Mr. Raghav Bahl)

Ms. Subhash Bahl (mother of Mr. Raghav Bahl)

Ms. Ritu Kapur (spouse of Mr. Raghav Bahl)

Ms. Vandana Malik (sister of Mr. Raghav Bahl)

Mr. Vidur Bahl (son of Mr. Raghav Bahl)

Ms. Tara Bahl (daughter of Mr. Raghav Bahl)

### PROMOTER GROUP COMPANIES

The companies which are part of our Promoter group are as follows:

1.	RB Software Private Limited	13.	RRB Holdings Private Limited
2.	RB Softech Private Limited	14.	SGA News Limited
3.	RVT Softech Private Limited	15.	SGA Media Inc.
4.	BK Media Private Limited	16.	RRK Holdings Private Limited
5.	Greycells 18 Media Private Limited	17.	Keyman Financial Services Private Limited
6.	VT Investments Private Limited	18.	Tangerine Digital Private Limited
7.	RB Investments Private Limited	19.	Digital 18 Media Private Limited
8.	VT Holdings Private Limited	20.	RRK Finhold Private Limited
9.	RVT Fincap Private Limited	21.	RVT Finhold Private Limited
10.	RRB Investments Private Limited	22.	Network 18 Publications Private Limited
11.	BK Media Mauritius Private Limited	23.	VT Softech Private Limited
12.	RVT Media Private Limited	24.	The Indian Film Company Limited (Guernsey)

### **RB Software Private Limited (“RB Software”)**

RB Software was incorporated on September 2, 2005. The registered office of the company is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of computer software, hardware and programs of all kind.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of RB Software as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Mr. Raghav Bahl	47,500	95.00
Ms. Ritu Kapur	2,500	5.00
<b>Total</b>	<b>50,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of RB Software comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

RB Software was incorporated on September 2, 2005. The audited financial results for the period ended March 31, 2006 are set forth below:

*(In Rs. lakhs unless otherwise stated)*

	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Equity Capital	5.00	5.00
Reserves (excluding revaluation reserves)	6.22	(1.98)
Sales	183.23	52.17
Profit after tax	11.52	(1.98)
Earnings per share	23.04	(3.96)
Net Asset Value	14.54	2.80
Asset Value per share (in Rs.)	29.08	5.60

### **RB Softech Private Limited (“RB Softech”)**

RB Softech was incorporated on September 15, 2005. The registered office of the company is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of computer software.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of RB Softech as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Raghav Bahl	9,500	95.00
Ms. Ritu Kapur	500	5.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of RB Softech comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

RB Softech was incorporated on September 15, 2005. The audited financial results for the period ended March 31, 2006 are set forth below:

*(In Rs.lakhs unless otherwise stated)*

	March 31, 2007	March 31, 2006
Equity Capital	1.00	1.00
Reserves (excluding revaluation reserves)	Nil	Nil
Sales	Nil	Nil
Profit after tax	(0.20)	(0.19)
Earnings Per Share(in Rs.)	Negligible	Negligible
Net Asset Value	0.36	0.48
Asset Value per share (in Rs.)	3.61	4.84

#### **RVT Softech Private Limited (“RVT Softech”)**

RVT Softech was incorporated on May 12, 2006. The registered office of the Company is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The Company is primarily engaged in the business of hosting web pages, designing web pages, e-commerce, e-trading, information source on-line, or any other activity connected with the internet business.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of RVT Softech as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Raghav Bahl	9,500	95.00
Ms. Ritu Kapur	500	5.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of RVT Softech comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

### **Financial Performance**

RVT Softech was incorporated on May 12, 2006. The audited financial results for the period ended March 31, 2007 are set forth below:

*(In Rs.lakhs unless otherwise stated)*

	<b>March 31, 2007</b>
Equity Capital	1.00
Reserves (excluding revaluation reserves)	(15.29)
Sales	108.11
Profit after tax	(15.29)
Earnings Per Share(in Rs.)	(153.00)
Net Asset Value	(14.29)
Asset Value per share (in Rs.)	(143.00)

### **BK Media Private Limited (“BK Media”)**

BK Media was originally incorporated as KRM Marketing Private Limited on November 25, 2003. The name of the company was subsequently changed to BK Media Private Limited with effect from September 14, 2005. The registered office of the company is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of production, procurement, broadcasting, buying, selling, importing, exporting or otherwise dealing in television programmes, television films, cinematographic films, video films and to deal in video software.

The equity shares of the company are not listed.

### **Shareholding Pattern**

The shareholding pattern of BK Media as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Mr. Raghav Bahl	9,95,000	99.50
Ms. Ritu Kapur	5,000	0.50
<b>Total</b>	<b>10,00,000</b>	<b>100.00</b>

In addition to the above, our Company has subscribed to 25,00,000 preference shares of Rs. 100 each aggregating to Rs. 25,00,00,000.00 in BK Media.

### **Board of Directors**

The board of directors of BK Media comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

### **Financial Performance**

The audited financial results of BK Media for the years ended March 31, 2007, 2006 and 2005 are set forth below:

(In Rs. lakhs unless otherwise stated)

Particulars	March 31, 2007	March 31, 2006	March 31, 2005
Equity Capital	100.00	100.00	1.00
Reserves (excluding revaluation reserves)	Nil	Nil	Negligible
Sales	8.85	Nil	Nil
Profit After Tax	(16.42)	(11.00)	Negligible
Earnings Per Share	(1.64)	(11.02)	Negligible
Net Asset Value	75.82	89.00	1.00
Asset value per share (in Rs.)	7.58	88.88	0.89

### Greycells 18 Media Private Limited (“Greycells 18”)

Greycells 18 was incorporated on June 22, 2006 as RK Finhold Private Limited. The name of the company was changed to greycells 18 Media Private Limited on July 7, 2007. The registered office of the company is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of investment and for that purpose to acquire, underwrite and deal in shares and participate in syndicates and to carry on the business of a custodian, depository, financier, agent, broker, project appraisal, etc., as well as to deal in movable assets and immovable properties.

The equity shares of the company are not listed.

### Shareholding Pattern

The shareholding pattern of Greycells 18 as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Raghav Bahl	9,500	0.59%
Ms. Ritu Kapur	500	0.03%
VT Holdings Private Limited	1,600,000	99.38%
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

### Board of Directors

The board of directors of Greycells 18 comprises

- Mr. Raghav Bahl
- Mr. Sanjay Ray Chaudhuri

### Financial Performance

Greycells 18 was incorporated on June 22, 2006. The audited financial results for the period ended March 31, 2007 are set forth below:

(In Rs.lakhs unless otherwise stated)

	March 31, 2007
Equity Capital	1.00
Reserves (excluding revaluation reserves)	NIL
Sales	NIL
Profit after tax	(2.65)
Earnings Per Share(in Rs.)	(26.50)
Net Asset Value	(1.65)
Asset Value per share (in Rs.)	(16.50)

### **VT Investments Private Limited (“VT Investments”)**

VT Investments was incorporated on June 20, 2006. The registered office of the company is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of investments and for that purpose to acquire, underwrite and deal in shares and participate in syndicates and to carry on the business of a custodian, depository, financier, agent, broker, project appraisal, etc., as well as to deal in movable assets and immovable properties.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of VT Investments as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Mr. Raghav Bahl	9,500	95.00
Ms. Ritu Kapur	500	5.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of VT Investments comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

VT Investments was incorporated on June 20, 2006. The audited financial results for the period ended March 31, 2007 are set forth below:

*(In Rs.lakhs unless otherwise stated)*

	<b>March 31, 2007</b>
Equity Capital	1.00
Reserves (excluding revaluation reserves)	NIL
Sales	NIL
Profit after tax	(2.68)
Earnings Per Share(in Rs.)	(26.76)
Net Asset Value	(1.68)
Asset Value per share (in Rs.)	(16.76)

### **RB Investments Private Limited (“RB Investments”)**

RB Investments was incorporated on June 20, 2006. The registered office of the company is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of investment, and for that purpose to acquire, underwrite and deal in shares and participate in syndicates and to carry on the business of custodian, depository, financier, agent, broker, project appraisal, etc., as well as to deal in movable assets and immovable properties.

The equity shares of the company are not listed .

#### ***Shareholding Pattern***

The shareholding pattern of RB Investments as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Raghav Bahl	9,500	95.00
Ms. Ritu Kapur	500	5.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### **Board of Directors**

The board of directors of RB Investments comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### **Financial Performance**

RB Investments was incorporated on June 20, 2006. The audited financial results for the period ended March 31, 2007 are set forth below:

*(In Rs.lakhs unless otherwise stated)*

	March 31, 2007
Equity Capital	1.00
Reserves (excluding revaluation reserves)	17,705.10
Sales	NIL
Profit after tax	(4670.86)
Earnings Per Share(in Rs.)	(46,708.56)
Net Asset Value	13,045.25
Asset Value per share (in Rs.)	1,30,452.46

#### **VT Holdings Private Limited (“VT Holdings”)**

VT Holdings was incorporated on July 7, 2006. The registered office of the company is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of investment and for that purpose subscribe, take, purchase or acquire stock, debentures, bonds and other securities.

The equity shares of the company are not listed.

#### **Shareholding Pattern**

The shareholding pattern of VT Holdings as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Raghav Bahl	9,500	95.00
Ms. Ritu Kapur	500	5.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### **Board of Directors**

The board of directors of VT Holdings comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### **Financial Performance**

VT Holdings was incorporated on July 7,2006. The audited financial results for the period ended March 31, 2007 are set forth below:

*(In Rs.lakhs unless otherwise stated)*

	<b>March 31, 2007</b>
Equity Capital	1.00
Reserves (excluding revaluation reserves)	NIL
Sales	NIL
Profit after tax	(2.88)
Earnings Per Share(in Rs.)	(28.88)
Net Asset Value	(1.89)
Asset Value per share (in Rs.)	(18.88)

### **SGA News Limited (“SGA News”)**

SGA News was incorporated on January 15, 2004. The registered office of the company is located at 601, 6<sup>th</sup> Floor, Commercial Tower, Hotel Le- Meridien, Raisina Road, New Delhi 110 001. The company is primarily engaged in the business of broadcasting or transmitting in any manner any audio, video or other programmes or software for television, radio, internet or any other media, to carry on the business of advertising agents, to deal in computer-based multimedia presentations and information technology business and to carry on the business of producing, directing, editing, distributing, purchasing, selling or acquiring or otherwise dealing in any audio, video programme or software.

The equity shares of the company are not listed.

### **Shareholding Pattern**

The shareholding pattern of SGA News as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
RRB Holdings Private Limited	58,82,353	94.00
Mr. Sameer Manchanda	3,12,891	5.00
Mr. Rajdeep Sardesai	62,578	1.00
<b>Total</b>	<b>62,57,822</b>	<b>100.00</b>

### **Board of Directors**

The board of directors of SGA News comprises

- Mr. Sanjay Ray Chaudhuri
- Mr. Raghav Bahl
- Ms. Vandana Malik

### **Financial Performance**

SGA News was incorporated on January 15, 2004. The audited financial results for the period ended March 31, 2007, 2006 and 2005 are set forth below:

*(In Rs. lakhs unless otherwise stated)*

	<b>March 31, 2007</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Equity Capital	62.57	62.60	50.00
Reserves (excluding revaluation reserves)	109.23	521.50	(76.00)
Sales	6.69	177.20	11.80
Profit After Tax	144.54	(265.50)	(201.00)
Earnings Per Share (in Rs.)	2.31	(379.30)	(401.90)
Net Asset Value	(143.62)	126.00	(26.00)
Asset value per share (in Rs.)	(0.23)	180.00	(52.00)

### **SGA Media Inc. (“SGA Media”)**

SGA Media was incorporated on April 9, 2003. The registered office of the company is located at Suite 607, 608, 275 Madison Avenue, STE. 607, New York NY 10016. The company can engage in any lawful act or activity for which corporations may be organized under Article IV of the Business Corporation Law, except that it can not engage in any act or activity requiring the consent or approval of any state official, department, board etc. without such consent first being obtained.

The equity shares of the company are not listed.

SGA Media is currently in the process of being liquidated.

#### ***Shareholding Pattern***

The shareholding pattern of SGA Media as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
RB Softech Private Limited	5,100	51.00
Mr. Sanjay Chitale	4,900	49.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of SGA Media comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur
- Mr. Sanjay Chitale
- Ms. Anurita Chitale

#### ***Financial Performance***

The audited financial results for the period ending March 31, 2006, 2005 and 2004 are as follows:

*(In USD except where otherwise stated)*

	<b>March 31, 2007</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Equity Capital	N.A.	10,000.00	10,000.00
Reserves (excluding revaluation reserves)	N.A.	(1,657,189.00)	(1,422,902.00)
Sales/ Turnover	N.A.	27,830.00	224,837.00
Profit After Tax	N.A.	(234,287.00)	(705,381.00)
Earnings Per Share	N.A.	(24.43)	(70.54.00)
Net Asset Value	N.A.	(1,647,189.00)	(1,412,902.00)
Asset Value per share	N.A.	(164.72)	(141.29)

### **RRK Holdings Private Limited (“RRK Holdings”)**

RRK Holdings was incorporated on February 14, 2007. The registered office is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of investment, custodian depository, bill discounting, leasing, hire purchase etc.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of RRK Holdings as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Raghav Bahl	5,000	50.00
Ms. Ritu Kapur	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of RRK Holdings comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

RRK Holdings was incorporated on February 14, 2007. Hence, there are no audited financial results available for the company.

#### **Keyman Financial Services Private Limited (“Keyman”)**

Keyman was incorporated on May 1, 1995. The registered office is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008. The company is primarily engaged in the business of finance by way of lending, advancing hire purchase, leasing finance, whether secured or unsecured and to draw, except, endorse, discount, buy, sell and deal in bills of exchange, promissory notes, hundies, debentures, coupons and other negotiable instrument securities etc.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of Keyman as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Raghav Bahl	4,68,400	95.00
Ms. Ritu Kapur	24,100	5.00
<b>Total</b>	<b>4,92,500</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of Keyman comprises

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

*(In Rs. lakhs, unless otherwise stated)*

	March 31, 2007	March 31, 2006	March 31, 2005
Equity Capital	49.25	49.25	49.25
Reserves (excluding revaluation reserves)	9.12	9.37	8.43

	March 31, 2007	March 31, 2006	March 31, 2005
Sales/ Turnover	5.04	5.14	5.02
Profit After Tax	(0.25)	0.94	1.03
Earnings Per Share (in Rs.)	(.05)	0.19	0.21
Net Asset Value	58.37	58.69	57.69
Asset Value per share (in Rs.)	11.85	11.92	11.71

#### **Tangerine Digital Private Limited (“Tangerine”)**

Tangerine was incorporated on July 14, 2006. The registered office is located at 303, Gulistan-E-Hind, 10th Road, J.V.P.D Scheme, Mumbai- 400049. The company is primarily engaged in the business of developing, producing, procuring, commissioning, sourcing, recording, filing, editing computer software, computer games, entertainment products, serials, sitcoms, news, current affairs including broadcasting and exhibiting content via various media.

The equity shares of the company are not listed.

#### **Shareholding Pattern**

The shareholding pattern of Tangerine as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
VT Holdings Private Limited	20,000	50.00
Mr. Puneet Johar	20,000	50.00
<b>Total</b>	<b>40,000</b>	<b>100.00</b>

#### **Board of Directors**

The board of directors of Tangerine comprises:

- Mr. Raghav Bahl
- Mr. Puneet Johar
- Ms. Zoya Choudhary
- Ms. Ritu Kapur

#### **Financial Performance**

Tangerine was incorporated on July 14, 2006. The audited financial results for the period ended March 31, 2007 are set forth below:

*(In Rs.lakhs unless otherwise stated)*

	March 31, 2007
Equity Capital	4.00
Reserves (excluding revaluation reserves)	355.95
Sales	172.92
Profit after tax	(81.52)
Earnings Per Share(in Rs.)	(203.79)
Net Asset Value	359.95
Asset Value per share (in Rs.)	899.88

#### **Digital 18 Media Private Limited (“Digital 18”)**

Digital 18 was incorporated on April 16, 2007. The registered office is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008, India. The company is primarily engaged in the business of broadcasting

audio, video or other programs of software for entertainment and awareness through television, radio, internet or any other media.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of Digital 18 as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Raghav Bahl	5,000	50.00
Sanjay Ray Chaudhuri	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of Digital 18 comprises:

- Mr. Raghav Bahl, and
- Mr. Sanjay Ray Chaudhuri

#### ***Financial Performance***

As the Company was only incorporated on April 16, 2007, there are no audited financials available.

#### **RVT Fincap Private Limited (“RVT Fincap”)**

RVT Fincap was incorporated on June 11, 2007. The registered office is located at Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008, India. The company is primarily engaged in the business of investment in all aspects and branches and carry on the business of custodian or depository, bill discounting, project appraisal etc.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of RVT Fincap as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Raghav Bahl	5,000	50.00
Ritu Kapur	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of RVT Fincap comprises:

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

As the RVT Fincap was only incorporated on June 11, 2007, there are no audited financials available.

### **RRB Investments Private Limited (“RRB Investments”)**

RRB Investments was incorporated on June 12, 2007. The registered office is located at Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008, India. The company is primarily engaged in the business of investment in all aspects and branches and carry on the business of custodian or depository, bill discounting, project appraisal etc.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of RRB Investments as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Raghav Bahl	5,000	50.00
Ritu Kapur	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of RRB Investments comprises:

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

As the Company was only incorporated on June 12, 2007, there are no audited financials available.

### **BK Media Mauritius Private Limited (“BK Media”)**

BK Media was incorporated on August 10, 2005. The registered office is located at 608, St. James Court, St. Dennis Street, Port Louis, Mauritius. The company is primarily engaged in the business of media and investment.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of BK Media as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
BK Media Private Limited	1,000,000	100.00
<b>Total</b>	<b>1,000,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of BK Media comprises:

- Mr. Raghav Bahl;
- Mr. Koomer Aslam; and
- Mr. Hossen Golam Shariff; and
- Mr. Sungker Boopendradas.

#### ***Financial Performance***

The audited financial results for the period ended March 31, 2007 and 2006 are set forth below:

(In USD unless otherwise stated)

	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Equity Capital	1000000	1
Reserves (excluding revaluation reserves)	25,875	1,016,816
Sales	735,534	110,316
Profit after tax	19,058	6,817
Earnings Per Share	0.0191	6817
Net Asset Value	1,025,875	1,016,817
Asset Value per share	1.025	1,016,817

#### **Network 18 Publications Pvt Ltd (“Network 18 Publications”)**

Network 18 Publications was incorporated on July 11, 2007. The registered office is located at Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008, India. The company is primarily engaged in the business of publications, marketing, export, import and distribution of books, compact discs, news papers, magazines, journals literature and periodicals including in the electronic media.

The equity shares of the company are not listed.

#### **Shareholding Pattern**

The shareholding pattern of Network 18 Publications as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Raghav Bahl	9,000	90%
Haresh Chawla	1,000	10%
<b>Total</b>	<b>10,000</b>	<b>100</b>

#### **Board of Directors**

The board of directors of Network 18 Publications comprises:

- Mr. Raghav Bahl
- Mr. Haresh Chawla

#### **Financial Performance**

As the Company was only incorporated on July 11, 2007, there are no audited financials available.

#### **VT Softech Private Limite (“VT Softech”)**

VT Softech was incorporated on August 13, 2007. The registered office is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008, India. The company is primarily engaged in the business of carrying the business of hosting webpages, e-commerce and e-trading.

The equity shares of the company are not listed.

#### **Shareholding Pattern**

The shareholding pattern of VT Softech as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Raghav Bahl	5,000	50.00
Ritu Bahl	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of VT Softech comprises:

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

As the Company was only incorporated on August 13, there are no audited financials available.

#### **RVT Media Private Limite (“RVT Media”)**

RVT Media was incorporated on August 31, 2007. The registered office is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008, India. The company is primarily engaged in the business of broadcasting, telecasting, transmitting or distributing any audio, video or other programs through cable, satellite, internet and other media.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of RVT Media as of August 31, 2007 is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
Raghav Bahl	5,000	50.00
Ritu Bahl	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

#### ***Board of Directors***

The board of directors of RVT Media comprises:

- Mr. Raghav Bahl
- Ms. Ritu Kapur

#### ***Financial Performance***

As the Company was only incorporated on August 31, 2007 there are no audited financials available.

#### **RRK Finhold Private Limite (“RRK Finhold”)**

RRK Finhold was incorporated on August 30, 2007. The registered office is located at 507, Prabhat Kiran, 17, Rajendra Place, New Delhi 110 008, India. The company is primarily engaged in the business of making and managing investments in all aspects and branches.

The equity shares of the company are not listed.

#### ***Shareholding Pattern***

The shareholding pattern of RRK Finhold as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Raghav Bahl	5,000	50.00
Ritu Bahl	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

### ***Board of Directors***

The board of directors of RRK Finhold comprises:

- Mr. Raghav Bahl
- Ms. Ritu Kapur

### ***Financial Performance***

As RRK Finhold was only incorporated on August 30, 2007 there are no audited financials available.

### **The Indian Film Company Limited (Guernsey) (“TIFC”)**

TIFC was incorporated on April 4, 2007. The registered office is located at 2<sup>nd</sup> floor, #1 Le Truchot, St Peter Port, Guernsey GY1 3JX. The company is established as a registered closed ended investment fund to make investments in both Indian films and films primarily targeted at the Indian audience.

The equity shares of the TIFC are listed on the Alternative Investment Market of the London Stock Exchange.

### ***Shareholding Pattern***

The shareholding pattern of TIFC as of August 31, 2007 is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Network 18 Fincap Limited	1,00,00,000	18.18
BK Media Mauritius	19,00,000	3.45
Other shareholders	4,31,00,000	78.36
<b>Total</b>	<b>5,50,00,000</b>	<b>100.00</b>

### ***Board of Directors***

The board of directors of TIFC comprises:

- Mr. Shyam Sundar Benegal
- Mr. Raghav Bahl
- Lord Meghnad Jagdishchandra Desai
- Mr. Alok Verma
- Mr. Peter Radford

### ***Share Quotations***

The equity shares of TIFC were listed on the Alternative Investment Market, the London Stock Exchange (“AIM”) on June 18, 2007. The details of the highest and lowest price on the AIM during the preceding three months are as follows:

(In GBP)

Period	AIM	
	High	Low
June, 2007	110.50	99.50

Period	AIM	
	High	Low
July, 2007	101.00	92.00
August, 2007	93.00	80.50

[Source: [www.londonstockexchange.com](http://www.londonstockexchange.com)]

***Promise v/s Performance***

TIFC made a public issue of 5,50,00,000 equity shares of 1 (one) GBP each aggregating to GBP 5,50,00,000. There was no

Placement Open date	PlacementClose date	Objects of the Placement	Actual Performance achieved
May 30, 2007	June 15, 2007	To generate returns through investments in both Indian films and films primarily targeted at the Indian audience.	The fund raising objective of the issue have been met

***Financial Performance***

As TIFC was only incorporated on April 4, 2007 there are no audited financials available.

## **DIVIDEND POLICY**

We have not declared any dividend during the last five fiscal years.

## FINANCIAL STATEMENTS

### RESTATED STAND ALONE FINANCIAL STATEMENTS OF NETWORK 18 FINCAP LIMITED

#### Auditors' Report

September 22 ,2007

The Board of Directors  
Network 18 Fincap Limited  
601 Commercial Tower  
Hotel Le Meridien  
Raisina Road , New Delhi

Dear Sirs,

1. We have examined the attached financial information of Network 18 Fincap Limited ('the company') (formerly SGA Finance and Management Services Pvt Limited) ,stamped and initialled by us for identification and as approved by the Board of Directors , prepared in accordance with Part II of Schedule II of the Companies Act,1956 ('the Act') and the Securities and Exchange Board of India ( Disclosure and Investor Protection ) Guidelines 2000 ('the SEBI Guidelines' ), as amended, issued by the Securities and Exchange Board of India ( SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act,1992, and in terms of our engagement agreed upon with you in accordance with our engagement letter dated July 6,2007 requesting us to carry out work in connection with the proposed Rights Issue of Partly Convertible Cumulative Preference Shares of the company ( referred to as 'the issue') .

2..The information examined has been extracted by the Management from the financial statements for the years ended March 31,2004, March 31,2005 ,March 31, 2006 and March 31,2007 audited by us, and for the year ended March 31,2003 audited by M/s Anil Bhushan & Co, Chartered Accountants. Accordingly, all references to / about that year are based solely on their statutory audit report for the said year .

3. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you , we further report that :

- i. The Restated Summary Statement of Assets and Liabilities of the Company as at March 31,2003 ,March 31,2004, March 31,2005, March 31,2006 and March 31,2007 ,as set out in the Annexure II to this report ,
- ii. the Restated Summary Statement of Profits/ Losses of the Company for the years ended on those dates , as set out in Annexure I to this report , and
- iii. the Restated Summary Statement of Cash Flows of the Company for the years ended on those dates , and as set out in Annexure III to this report

are after making adjustments and regroupings as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes given in Annexure IV .

4. Based on the above , we are of the opinion that the restated financial information has been made after incorporating :

- a. adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods . ( See note 21 of Annexure IV )
- b. adjustments for the material amounts in the respective years to which they relate .( See note 21 of Annexure IV)

5. There are no extra ordinary items that need to be disclosed separately in the summary statements except those referred to in Paras 2,3,4,5,6(a),6(b), 10 and 13 of Annexure IV which relate to the effect of the Scheme of

*Restructuring on the accounts of the Company .*

6. As per the instructions dated July 6, 2007 we have been required to include in this report, financials for the company on a standalone basis . ***We have therefore not reported on the financials of any subsidiary.***

7. Disclosures on Related Party Transactions, have been verified to the extent made available by the Management for the year ended March 31,2004 and the subsequent periods .

8. The financial statements of the subsidiaries have not been consolidated into the attached summary statements of the company .

9. The company's issued share capital as at March 31,2007 consisted only of Equity Shares .Since its inception the company has not declared any dividends on any class of Shares.

#### **10. Other Financial Information**

We have also examined the following other information set out in Annexures prepared by the Management and approved by you for the years ended March 31,2003, March 31,2004, March 31,2005 , March 31,2006 and March 31,2007 . In respect of year ended March 31,2003 the information has been included based on the audit report of M/s Anil Bhushan & Company, (the then auditors of the company ) and relied upon by us . Disclosures on Related Tax Shelters , Loans and Advances and Investments , have been verified to the extent made available by the Management for the year ended March 31,2004 and the subsequent periods .

i. Summary of Accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth Annexure V.

ii. Capitalisation Statement of the company in Annexure VI .

iii. Statement of Tax Shelters in Annexure VII .

iv. Statement of Contingent Liabilities in Annexure VIII

v. Statement of Secured Loans in Annexure IX .

vi. Statement of Unsecured Loan in Annexure X.

vii. Statement of Loans and Advances in Annexure XI .

viii. Statement of Quoted Investments in Annexure XII .

5. The financial information forming part of this report was examined to the extent practicable, for the purpose of audit of financial information in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform our audit to obtain reasonable assurance, whether the financial information is free of material misstatement . The Company's management is responsible for the preparation of the summary financial statements. Our responsibility is to report based on the work done , based on such procedures carried out by us and review of the records produced to us and the information and explanations given to us by the Company's management .

In our opinion the financial information of the Company ,as stated in Para A and B above and read together with the Significant Accounting Policies (Annexure IV) , after making adjustments / restatements and regrouping as considered appropriate, more specifically mentioned in Para 21 of Annexure IV to the statements ,has been prepared in accordance with Paragraphs B (1) and (3) of Part II of Schedule II of the Act and the SEBI guidelines *subject to our comments in Paras 5 and 6 above.*

This report is intended solely for your information and for inclusion in the Letter of Offers to be filed with SEBI / the Stock Exchanges from time to time, in connection with the issue and is not to be used, referred to or distributed for any purpose without our prior written consent.

**For G S Ahuja & Associates**  
Chartered Accountants

**G S Ahuja**  
Proprietor  
New Delhi

**Annexure I- Summary Statement of Profits and Losses, as restated**

<b>Particulars</b>	<b>March 31,2003</b>	<b>March 31,2004</b>	<b>March 31,2005</b>	<b>March 31,2006</b>	<b>March 31,2007</b>
<b>Income</b>					
Film Business	-	-	-	-	760.97
Interest	-	16.27	8.06	-	13.64
From Management Services	-	1.90	0.84	-	-
From investments	<u>16.00</u>	<u>0.37</u>	<u>9.79</u>	<u>164.95</u>	<u>844.02</u>
Total Income	<u>16.00</u>	<u>18.54</u>	<u>18.69</u>	<u>164.95</u>	<u>1,618.63</u>
<b>Expenditure</b>					
Film costs	-	-	-	-	758.90
Administrative and other costs	0.47	4.78	22.91	26.96	482.98
Personnel Expenses	0.18	1.84	1.30	0.95	155.60
Financial Charges	15.02	0.39	17.77	121.52	329.31
Non cash write offs	0.02	0.02	0.03	0.04	2.73
Stock Option Chargeout	-	-	29.31	426.37	1,004.04
Depreciation	-	<u>0.54</u>	<u>0.70</u>	<u>0.73</u>	<u>10.46</u>
Total Expenditure	<u>15.69</u>	<u>7.57</u>	<u>72.02</u>	<u>576.57</u>	<u>2,744.02</u>
<b>Profit before tax , extraordinary items</b>	0.31	10.97	(53.33)	(411.62)	(1,125.39)
Non recoverable amounts written off	-	-	199.41	-	-
Deferred Revenue expenses written off	2.43	13.40	-	-	-
<b>Profit before tax</b>	(2.12)	(2.43)	(252.74)	(411.62)	(1,125.39)
<b>Provision for taxation</b>					
Current Tax	0.12	3.60	-	-	-
Deferred Tax	-	0.33	0.14	0.02	(0.50)
Fringe Benefit tax	-	-	-	0.18	3.07
Net profit ( loss) for the period	(2.24)	(6.36)	(252.88)	(411.82)	(1,127.96)
<b>Appropriations</b>					
Profit brought forward	0.14	(2.16)	(10.72)	(263.60)	(675.42)
Transfer to reserves u/s 45IC of the RBI Act	(0.06)	(2.20)	-	-	-
Balance profit carried forward	(2.16)	(10.72)	(263.60)	(675.42)	(1,803.38)

**Annexure II – Summary Statement of Assets and Liabilities, as restated**

<b>Particulars</b>	<b>March 31,2003</b>	<b>March 31,2004</b>	<b>March 31,2005</b>	<b>March 31,2006</b>	<b>March 31,2007</b>
<b><u>Assets</u></b>					
Fixed Assets - Gross Block	-	7.35	7.35	8.01	113.71
Less: Depreciation	-	0.54	1.24	1.97	12.43
Net Block	-	6.81	6.11	6.04	101.28
Investments	97.97	277.59	970.09	4,698.65	35,294.46
<b><u>Current Assets</u></b>					
Inventory	-	-	-	-	2,560.31
Sundry Debtors	25.07	1.80	2.29	-	462.10
Cash and Bank balances	18.70	0.25	2.65	170.66	1,477.41
Loans and Advances	161.69	734.25	448.59	337.71	214.46
Total Current Assets, Loans and Advances	205.46	736.30	453.53	508.37	4,714.28
<b>Total Assets</b>	<b>303.43</b>	<b>1,020.70</b>	<b>1,429.73</b>	<b>5,213.06</b>	<b>40,110.02</b>
<b><u>Liabilities and Provisions</u></b>					
<b><u>Loan funds</u></b>					
Secured Loans	-	-	100.00	1,800.00	6,376.29
Unsecured Loans	-	-	53.85	-	-
	-	-	153.85	1,800.00	6,376.29
<b><u>Current Liabilities and Provisions</u></b>					
Current Liabilities	1.40	25.06	3.64	18.87	816.64
Stock Options outstanding	-	-	29.31	455.68	424.95
Provision for current tax	0.18	3.78	3.78	3.96	7.03
Provision for deferred tax	-	0.33	0.47	0.49	-
Total current liabilities and provisions	1.58	29.17	37.20	479.00	1,248.62
<b>Total Liabilities</b>	<b>1.58</b>	<b>29.17</b>	<b>191.05</b>	<b>2,279.00</b>	<b>7,624.91</b>

<b>Net worth</b>	<b>301.85</b>	<b>991.53</b>	<b>1,238.68</b>	<b>2,934.06</b>	<b>32,485.11</b>
<b>Represented by</b>					
<b>Shareholders' Funds</b>					
Equity Share capital	300.00	500.00	500.00	500.00	2,543.17
Preference Share Capital	-	500.00	1,000.00	2,040.10	-
Share Application Money	3.98	-	-	92.20	-
Securities Premium	-	-	-	974.90	32,426.57
Reserve u/s 45IC of the RBI Act	0.08	2.28	2.28	2.28	2.28
Surplus as per Profit and Loss account , as restated	(2.16)	(10.72)	(263.60)	(675.42)	(1,803.38)
Less: Miscellaneous expenditure not written off	<u>0.05</u>	<u>0.03</u>	<u>-</u>	<u>-</u>	<u>683.53</u>
	<b>301.85</b>	<b>991.53</b>	<b>1,238.68</b>	<b>2,934.06</b>	<b>32,485.11</b>

**Annexure III – Summary Cash flow statement ( based on restated financials)**

<b>Particulars</b>	<b>As at March 31, 2003</b>	<b>As at March 31, 2004</b>	<b>As at March 31, 2005</b>	<b>As at March 31, 2006</b>	<b>As at March 31, 2007</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before tax	(2.12)	(2.43)	(252.74)	(411.62)	(1,125.39)
Adjustments for :					
Depreciation and non cash write offs	0.02	0.56	30.04	427.14	1017.23
Interest	15.02	0.39	17.77	121.52	329.31
Operating profit before working capital changes	<b>12.92</b>	<b>(1.48)</b>	<b>(204.93)</b>	<b>137.04</b>	<b>221.15</b>
Adjustments for :					
Decrease/(Increase) in Current assets	(185.73)	(549.29)	285.17	113.13	(2,901.89)
Increase/(Decrease) in Current liabilities ( excluding Stock options o/s)	0.10	27.59	(21.28)	15.43	(234.42)
Cash generated from/ (used in) operations	(172.71)	(523.18)	58.96	265.60	(2,915.16)
Tax on operational income (including Fringe benefit tax)	(0.12)	(3.93)	(0.14)	(0.20)	(2.57)
Net cash from/ (used in) operating activities	<b>(172.83)</b>	<b>(527.11)</b>	<b>58.82</b>	<b>265.40</b>	<b>(2,917.73)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>					
(Purchase) sale of fixed assets	-	(7.35)	-	(0.66)	(105.70)
(Purchase) Sale of investments	(72.64)	(179.62)	(692.50)	(3,728.56)	(30,595.81)
Net cash from/ (used in) investing activities	<b>(72.64)</b>	<b>(186.97)</b>	<b>(692.50)</b>	<b>(3,729.22)</b>	<b>(30,701.51)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of Equity Shares	275.00	196.02	-	-	2,043.17
Share Application money received	3.97	-	-	92.20	(92.20)
Proceeds from issue (redemption) of Preference Shares	-	500.00	500.00	1,040.10	(2,040.10)
Interest	(15.02)	(0.39)	(17.77)	(121.52)	(329.31)
Securities Premium	-	-	-	974.90	31,451.67
Expenditure on Rights issue	-	-	-	-	(683.53)
Increase / (Decrease) in loans (Net of repayments)	-	-	153.85	1,646.15	4,576.29
Net cash from/ (used in)	<b>263.95</b>	<b>695.63</b>	<b>636.08</b>	<b>3,631.83</b>	<b>34,925.99</b>

<b>Particulars</b>	<b>As at March 31, 2003</b>	<b>As at March 31, 2004</b>	<b>As at March 31, 2005</b>	<b>As at March 31, 2006</b>	<b>As at March 31, 2007</b>
financing activities					
Net increase/ (decrease) in cash and cash equivalents	18.48	(18.45)	2.40	168.01	1,306.75
Cash and cash equivalents as at the beginning of the period	<u>0.22</u>	<u>18.70</u>	<u>0.25</u>	<u>2.65</u>	<u>170.66</u>
Cash and cash equivalents as at the end of the period	<b><u>18.70</u></b>	<b><u>0.25</u></b>	<b><u>2.65</u></b>	<b><u>170.66</u></b>	<b><u>1,477.41</u></b>

**Note :**

1. Notwithstanding the non-cash nature of some transactions made pursuant to the Scheme, these are shown as cash items, purely to highlight the same.
2. Income from investments is shown as operational income.

## **Annexure IV : Significant Accounting Policies and Notes to financial statements as of March 31, 2007**

### **1. Significant Accounting Policies**

These financial statements have been prepared in accordance with Accounting Standards as prescribed by the Institute of Chartered Accountants of India and referred to in section 211(3)(c) of the Companies Act 1956. Significant accounting policies adopted in the presentation of the accounts are:

#### **a. Basis of Accounting**

These accounts are prepared on the historical cost convention and on the mercantile basis.

#### **b. Revenue Recognition**

(i) Dividends on investments are accounted for when the right to receive dividend is established.

(ii) In case of distribution of motion pictures, revenue is recognised on the date of release of the picture. Overflow from distributors is accounted for recognised on the receipt of information / receipt of funds whichever is earlier.

(iii) Revenue from other rights to motion pictures, inter alia, Satellite Rights, Home Video Rights, Music Rights, is recognised on the date of the agreement for assignment of the above rights.

(iv) Recognition of revenues uncertain of recovery till the release of the motion picture projects are deferred till such event .

#### **c. Fixed Assets**

Fixed Assets are stated at their original cost of acquisition / installation less depreciation. All direct expenses attributable to acquisition / installation of assets are capitalized. Leasehold improvements are amortised over the lease period .

d. The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit & Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

#### **e. Inventory**

(i) The Company amortises the cost of motion picture rights acquired or produced by it, on first theatrical release of the movie. The said amortisation is made proportionately on Domestic Theatrical Rights, International Theatrical Rights, Television Rights, Music Rights and Video Rights, as applicable to each case , based on Management estimate of revenues from each of these rights. In case of aforesaid rights being not exploited alongwith or prior to the first theatrical release, proportionate appropriated cost of the said right is carried forward to be written off as and when such right is commercially exploited or at the end of one year from the date of first theatrical release, whichever occurs earlier.

(ii) Inventory, thus, comprises of unamortised cost of such movie rights alongwith amounts paid for motion pictures under production / in process .

(iii) Projects in progress are stated at cost, which includes payments made to co producers , directors, writers etc

(iv) Stock of DVDs / CDs are stated at cost .

(v) Raw Tapes are stated at lower of cost or market value

(vi) The cost of funds borrowed specifically for the funding of films is inventorised as part of cost of the film. The cost of funds borrowed generally is determined by applying a weighted average capitalization rate to the amount funded for the said film.

#### **f. Leases (where the Company is the lessee)**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

#### **g. Depreciation**

Depreciation is charged on a straight-line basis at rates prescribed by Schedule XIV of the Companies Act, 1956. Leasehold Improvements are amortised over the lease period.

#### **h. Borrowing Costs**

Borrowing costs are stated net of amounts capitalised over inventories, as per the provisions of Accounting Standard 16, issued by the Institute of Chartered Accountants of India.

#### **i. Investments**

Quoted Investments are valued at cost or market price whichever is lower. Unquoted investments are valued at cost.

#### **j. Retirement benefits**

The company's contribution to Employees Provident Fund is charged to the Profit and Loss account. Gratuity liability is unfunded but provided on the basis of actuarial valuation. Leave encashment is provided on the basis of actuarial valuation.

#### **k. Transactions in foreign exchange**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date. Exchange differences on foreign exchange transactions other than those relating to fixed assets are recognized in the Profit & Loss Account.

#### **l. Provision for Income Tax**

Income tax comprises deferred tax and current tax. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets and liabilities are measured using the tax rate enacted or substantively enacted by the Balance Sheet date.

In absence of taxable income, no provision for tax has been created. Deferred tax assets in respect of losses have not been created in absence of virtual certainty that such assets shall be realized.

#### **m. Earnings Per Share**

The company reports basic and diluted earnings per share in accordance with AS 20 on Earnings Per Share. Basic earnings per equity share have been computed by dividing the Net Profit (Loss) after tax by the weighted average number of equity shares outstanding during the year.

#### **n. Employee Stock Option Scheme**

Stock options granted to eligible persons under the relevant Stock Option schemes are accounted for as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by the Securities and Exchange Board of India. Accordingly, the excess of average market value of the shares over the preceding 2 weeks of the date of issue of shares over the issue price of the shares is recognized as employee compensation and is charged to the Profit and Loss account, on Straight Line

basis over the vesting year of the options . The amortised portion of the cost is shown under Reserves and Surplus .

#### **o. Employee Stock Purchase Scheme**

Shares issued under the Stock Purchase schemes are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by the Securities and Exchange Board of India . Accordingly , the excess of average market value of the shares over the preceding 2 weeks of the date of issue of shares over the issue price is recognized as employee compensation and is charged to the Profit and Loss account , on the date of issue of shares to the employees .

#### **p. Employee Stock Awards plan**

The value of appreciation to be awarded under Stock Awards plans is accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by the Securities and Exchange Board of India . The appreciation is recognized as a cost in the Profit and Loss account .

#### **q. Use of estimates**

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of income and expenses during the reporting period. Differences, if any, between the actual results and estimates are recognised in the period in which the results are known.

### **2. Authorised Capital**

**a.** As per the Scheme of Arrangement, the nominal value of the company's equity share was reduced to Rs 5/- (from a nominal value of Rs 10/- per equity share) with effect from July 15, 2006 . Consequently the number of equity shares increased to 10 million from the earlier 5 million.

**b.** The Authorised Equity Capital has been further increased by Rs 20 million (divided into 40 million equity shares of Rs 5/- each) with effect from that date .

**c.** On October 20,2006 , 1 million Preference Shares of Rs 100/- each have been reclassified into 20 million Equity shares of Rs 5/- each ,pursuant to the Scheme.

**d.** The Authorised Capital has been further increased to the extant Rs 306 crores with effect from November 26,2006 .

### **3. Equity Capital**

**a.** 5,000,000 Equity Shares ( as on April 1,2006 ) of Rs 10/- were reclassified into 10,000,000 Equity Shares of Rs 5/-.

**b.** 20 million equity shares of Rs 5/- each were issued to RB Investments Private Limited , pursuant to the Scheme

**c.** 19,915,025 Equity Shares of Rs 5/- have been issued for a consideration other than cash ,in lieu of assets and other investments transferred to the company, (pursuant to the Scheme of Arrangement ), to the Shareholders of TV18 in consideration of the transfer of assets of the Media Investment Undertaking from that company to Network 18 Fincap Limited . The effective date of the Scheme was September 27,2006 . Post Effective date the shares were allotted on November 27,2006 .

**d.** 948,370 Equity shares of Rs 5 each have been allotted to the Network 18 Employees Welfare Trust in compliance with various Stock Option / Stock Award Schemes of Television Eighteen India Limited for which identical Schemes have been formulated by the Company , pursuant to the Scheme .

#### **4. Preference Capital**

a. 1,040,100 , 5% Non-Cumulative, Preference Shares of Rs 100 each , held by TV 18 have been cancelled pursuant to the Scheme .

b. 1,000,000 5% Non-Cumulative, Preference Shares of Rs 100 each, held by Television Eighteen Senior Professionals Trust have been redeemed , out of proceeds of a fresh issue .

#### **5. Securities Premium**

a. A sum of Rs 97,490,000 has been adjusted on cancellation of Preference Shares held by TV18 as part of the Scheme .

b. A sum of Rs 1,422,144,875 has been credited to the account on issue of 19,915,025 Equity Shares of Rs 5/- each to the Shareholders of TV 18 , pursuant to the Scheme .

c. A sum of Rs 1,671,510,245 has been credited to the account on the allotment of Equity Shares to RB Investments Private Limited , pursuant to the Scheme.

d. An amount of Rs 72,448,768 has been credited to the account , on the issue of Shares to the Network 18 Employees Welfare Trust pursuant to Stock Option Schemes formulated by the company .(See Note 25 )

e. An amount of Rs 76,553,096 has been credited to Securities Premium , as a consequence of premium on accounting for stock option / stock award schemes of the company .

#### **6. Investments**

a. 2,868,225 Equity Shares in Television Eighteen India Limited were acquired by the company from Raghav Bahl under the Scheme .

b. Pursuant to the Scheme , in lieu of transfer of the 'Awaaz' undertaking from SGA News Limited to Television Eighteen India Limited , the company was allotted 21,588,235 Equity shares in Television Eighteen India Limited.

c. 4,177,896 Equity Shares in Television Eighteen India Limited are pledged to lenders in connection with various loans to the company / other entities .

*d. Encumbrances on investments : Investments in Equity Shares of TV 18, Debentures of TV 18 and Units in Mutual Funds ,of the value of 53.86 crores are pledged in connection with loans to the company , a Director and a related party. In respect of certain investments pledged , the company has received a opinion confirming that the provisions of Section 295 shall not be attracted since the loans were availed and the securities originally pledged when the company was a Private Company*

e. Television Eighteen India Limited's investment in SRH Broadcast News Holdings Private Limited (SRH), was transferred to the company as part of the Scheme of Arrangement. Consequent to the merger of SRH and Global Broadcast News Limited on December 4,2006 these stand converted into Equity Shares in Global Broadcast News Limited.

**f. The investments in SGA News Limited were sold to RRB Holdings Private Limited, at book value .**

g. Amounts remitted to Network 18 Holdings Limited , Cayman Islands ( earlier called TV 18 Holdings Limited) as Share Application money were transferred from TV 18 , as part of the Scheme. That Company also allotted Preference Share of USD 1 each on January 24,2007 which were redeemed on February 12,2007 .

h. The 8% Cumulative Redeemable Non Convertible Preference Shares of Rs 100 each in BK Media Pvt Ltd are :

- redeemable at the end of 5 years from the date of issue , unless otherwise agreed by the Company and the issuer company

- proposed to be secured either by a personal guarantee of the promoters or by way of a first charge on all assets created or acquired by the issuer company .

**7. Capitalisation of borrowing costs :** Borrowing costs for the financial year ended March 31,2007 are net of Rs 68.72 lakhs which have been capitalised as part of projects in progress, as recommended by Accounting Standard 16 issued by the Institute of Chartered Accountants of India..

**8.** Co - production contracts of Motion pictures are subject to charge created in favour of lenders by the principal producers .

#### **9. Leases**

**a)** The Company has taken various office premises under operating lease agreements. These are generally non cancellable and are renewable by mutual consent on mutually agreed terms.

**b)** Lease payments for the year : Rs. 30,93,480

**c)** The future minimum lease payments under non-cancellable operating leases are :

Not later than one year	Rs 8,901,480
Later than one year but not later than five years	Rs 35,163,246
Later than five years	Rs 147,522

**d)** In respect of another lease , the company's commitments are backed by sub lease agreements .

#### **10. Stock Option Charge**

Pursuant to the Scheme of Arrangement , all persons entitled to Shares under various ESOP / ESPS plans of Television Eighteen India Limited , were to be compensated for dilution in their grants by issue of Equity Shares in Network 18 Fincap Limited .

An aggregate sum of Rs 1459.72 lakhs relating to such grants and relating to the financial years 2004-05 , 2006-06 and 2006-07 have been charged off .

The expense has been computed on the basis of fair market value of the Equity shares of TV 18 as on the effective date of the Scheme .

#### **11. Amount Due from Director or Officer**

Amount due from Director / officer of the company Rs Nil (Nil). The maximum amount due from a Director / officer of the company during the period was Rs. Nil (9,39,60,000).

**12.** In view of losses , no amounts have been transferred to the Special Reserve in accordance with Section 45IC of the Reserve Bank of India Act .

#### **13. Scheme of Restructuring**

The scheme referred to in these notes refers to the Scheme of Arrangement between Television Eighteen India Limited ,Network 18 Fincap Limited and SGA News Limited as approved by the Hon'ble High Court of Delhi on July 20,2006. Copies of the said order were filed with the Registrar of Companies, Delhi and Haryana on September 27,2006 and the Scheme was therefore effective from that date. As per the scheme :

**a.** the Media Investment Undertaking of Television Eighteen India Limited (TV18) comprising the business activity of undertaking and managing strategic/financial investments in media companies along with the related assets , liabilities ,employees including investment in group companies engaged in Television News Space , Preference Capital Investment in Network 18 Fincap Limited and other identified liquid assets ( detailed in (c) below) , shall be transferred at book value to Network 18 Fincap Limited (Network 18) from the appointed date of October 1,2005.

b. in exchange for the said transfer Network 18 issued 12 Equity Shares of Rs 5/- each , to all Shareholders of TV 18 , for every 10 Equity shares of Rs 10/- each ,held by that Shareholder in TV 18 . Since Network 18 already held Equity shares in that Company , pursuant to the above mentioned Demerger Scheme , no shares were issued by Network 18 to itself.

c. The assets actually transferred to the company , from that approved by the court have differed., but the aggregate transfer is for the approved amount .

Particulars ( Rs million)	Actual transfer
Equity Shares in SGA News Limited	391.00
Equity Shares in SRH Broadcast News Holdings P Ltd	197.00
Preference Shares – Network 18 Fincap Ltd	201.50
Preference Shares in SGA News Ltd	0.00
Share Application Money – Global Broadcast News Ltd	0.00
Share Application Money – TV 18 Holdings Ltd , ( Now Network18 Holdings Ltd) , Cayman Islands	67.90
Cash and cash equivalents	<u>664.32</u>
Total	<u>1521.72</u>

d. As per the scheme , for the period between the appointed date and the effective date, TV 18 shall be deemed to have been carrying on all business and activities relating to the demerged undertaking on behalf of Network 18 Fincap Limited and all profits accruing to the Transferor Company ,or losses arising or incurred by them relating to the Demerged Undertaking shall be treated as the profits or losses of Network 18 Fincap Limited.

e. TV18 has earned dividends on the aforesaid investments aggregating to Rs 26.33 million during the period between the appointed date and the effective date. Of the said 26.33 million , Rs 13.81 million pertains to the period starting from the appointed date and ending on March 31,2006 and has been adjusted as a credit balance in the Profit and Loss account. The remaining has been shown as income of the current period.

f. Transfer to a Trust of 10.56% of the fully diluted Equity Capital of Network 18 Fincap Limited , as required by the Scheme was given effect to on November 15,2006 .

14 . Miscellaneous Expenditure includes expenses incurred towards a proposed rights issue of securities , application is respect of which is under consideration by the Securities and Exchange Board of India .

#### 15. Employee Stock Option / Stock Purchase / Stock Awards Plans

##### a. Network 18 Employees Stock Option Plan 2005 (“the ESOP 2005”).

A maximum 1,080,000 options on equity shares can be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

Fresh options granted under this plan shall carry an exercise price at a discount of 10% to the market price of the shares determined with respect to the date of grant and shall vest equally over a period of 1 year to 3 years from the date of grant.

In respect of options granted in lieu of grants under the Television Eighteen Employees Stock Option Plan 2005 (TV 18 ESOP ), the options shall vest over a period of 1 to 3 years from the date of grant under the TV 18 ESOP , at an exercise price of Rs 97.31 .

The company has allotted 7,69,200 shares to the Network 18 Employees Welfare Trust at Rs. 97.31 per share during the year .

##### b. Network 18 Long Term Retention Employees Stock Option Plan 2005 (“the Long Term Retention ESOP 2005”).

A maximum 3,00,000 options on equity shares can be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

Fresh options granted under this plan shall vest with the grantee at any time after the end of the 4th year from the date of grant at an exercise price equivalent to the market price as at the date of grant .

In respect of options granted in lieu of grants under the TV 18 Long Term Retention Employees Stock Option Plan 2005 (TV 18 ESOP) ,options shall vest at the end of the 4<sup>th</sup> year from the date of grant under the TV 18 ESOP, at an exercise price of Rs 108.13 .

**c. The Network 18 Strategic Acquisition Employees Stock Option Plan 2005 (“the Strategic Acquisition ESOP 2005”)**

A maximum 720,000 options can be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

Fresh Options granted under this plan shall vest with the grantee at the end of 1 year from the date of grant at an exercise price of Rs 31.67 .

In respect of options granted in lieu of grants under the TV18 Strategic ESOP 2005 , options shall vest at the end of 1 year from the date of grant under that plan at an exercise price of Es 31.67 .

**d. The Network 18 Employees Stock Option Plan 2004 (“the ESOP 2004”)**

A maximum 5,73,600 options can be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

Fresh options granted under the plan shall vest at the end of 3 years from the offer date at an exercise price (a) in respect of 50 percent of the options at a discount of Rs 125 to the market price of the shares determined with respect to the date of grant; and (b) balance 50 percent of the options at a discount of 90 percent of the market price of the shares determined with respect to the date of grant.

All options granted to a grantee under this plan ,in lieu of his entitlement in the TV18 ESOP 2004 Scheme shall vest with the grantee at the end of three years from the offer date under the TV18 ESOP 2004. The exercise price in respect of options proposed to be granted in lieu of options granted in TV18 ESOP 2004 is as under:

<b>Date of Grant</b>	<b>Exercise price (Rs)</b>
June 25, 2004	8.26
June 25, 2004	43.06
August 20, 2004	11.46
August 20, 2004	45.94
April 2, 2005	19.86
April 2, 2005	53.49
June 29, 2005	54.50
June 29, 2005	84.67
August 6, 2005	66.63
August 6, 2005	95.59
June 15, 2006	64.85
June 15, 2006	93.99
July 20, 2006	131.62
July 20, 2006	154.09

**e. The Network 18 Senior Employees Stock Option Plan 2004 (“the Senior ESOP 2004”)**

A maximum 6,00,000 options on equity shares to be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

All fresh grants under the plan shall vest (a) one third after two years from the date of grant; and (b) balance two thirds after 4 years from the grant date .

The exercise price in respect of fresh options shall be ( a) in respect of 50 percent of the options at a discount of Rs 100 to the market price of the shares determined with respect to the date of grant; and (b) balance 50 percent of the options at 90 percent of the market price of the shares determined with respect to the date of grant.

In respect of grants in lieu of entitlements under the TV 18 Senior ESOP 2004 , one third of the options shall vest after two years from the offer date under the TV 18 Senior ESOP 2004 and the balance two thirds shall vest after four years from the said offer date .

The Exercise price in respect of options in lieu of options granted in TV18 Senior ESOP 2004 shall be as under :

June 25, 2004	16.17
June 25, 2004	43.06
April 2, 2005	27.77
April 2, 2005	53.49
June 29, 2005	62.42
June 29, 2005	84.67
June 15, 2006	72.77
June 15, 2006	93.99

The company has during the year allotted 29330 shares at Rs. 16.17 per share and 29330 shares at Rs. 43.06 per share.

**f. Network 18 Employees Stock Purchase Plan 2003 (“the ESPP 2003”)**

A maximum 28,272 options can be granted under the plan. Employees who acquire shares under ESPP 2003 would not be able to transfer such shares within one year of acquisition of such shares. Options to be granted at 95 percent of market price on date of grant of options. (Market price based on average of the two weeks high and low price of the share preceding the grant date on the Stock Exchange with highest trading volumes in that period)

**g. Network 18 Employees Stock Option Plan 2002 (“the ESOP 2002”)**

A maximum 3,22,380 options to be granted under the plan , each option convertible into one equity share of Rs 5/- each at the end of vesting period.

All fresh grants under the plan shall vest (a) in respect of 50% of the options , one year from the date of grant (b) in respect of the 50% two years from the date of grant . Options granted under this plan shall be at an exercise price of Rs 5/- per option .

In respect of grants made in lieu of grants under the TV 18 ESOP 2002, the vesting date shall ( a) in respect of 50% of the options be one year from the date of grant under the plan and (b) in respect of the other 50% of the options be two years from the date of grant at an exercise price as under having respect to the date of grant.

December 1, 2005	Rs 5
June 15, 2006	Rs 5

**h. Network 18 Employees Stock Option Plan A 2007 (“the ESOP A 2007”).**

The company can grant a maximum 1,000,000 options under this plan .Each option is convertible into one equity share of Rs. 5/- each at the end of the vesting period. Options shall vest equally over a 4 year period at an exercise price which is at a discount of 25% to the market price of the shares determined with respect to the date of grant.

**i. Network 18 Employees Stock Option Plan B 2007 (“the ESOP B 2007”)**

The company can grant a maximum of 1,000,000 options under this plan . Each option is convertible into one equity share of Rs. 5/- each at the end of the vesting period . Options shall vest after a period of 1 year from the date of grant at an exercise price of Rs 5/- .

**j. Network 18 Employees Stock Option Plan C 2007 (“the ESOP C 2007”).**

The company can grant a maximum of 1,000,000 options under this plan . Each option is convertible into one equity share of Rs 5/- each at the end of the vesting period . Options shall vest equally over a six year period with an exercise price of Rs 5/- per option .

**k . The Network 18 Stock Award Plan 2005 (“the Stock Awards Plan 2005”)**

Such number of Stock Awards as may be determined by the Compensation Committee to be granted under the plan, convertibility of Stock Awards into equity shares is governed by the plan. The Stock Awards shall vest at the end of one year based on the recommendation of Compensation Committee. Exercise price of Stock Awards shall be average of the two weeks high and low price of the share from the date of listing of shares of the Company on the Stock Exchange with highest trading volumes in that period).

The company had allotted 1,20,510 shares at Rs. 5/- per share during the year.

**16 Amount Due to Small Scale Industries**

As per the information available with the Company no amount is due to any Small Scale Industrial Undertaking.

**17 .** In respect of the disposal / write off of company’s erstwhile investments in SGA Media Inc, USA, the company is yet to seek approval of the Reserve Bank of India.

**18.** As per the Micro, Small and Medium Enterprises Development Act, 2006 Act, the Company is required to identify the Micro, Small and Medium suppliers and pay them interest on overdues beyond the specified period irrespective of the terms agreed with the suppliers. The company has initiated the process of identification of such suppliers. In view of this, the liability of interest cannot be reliably estimated nor can the required disclosures be made. Accounting in this regard will be carried out after process is complete and reliable estimate can be made in this regard. However, management is of opinion that liability in any case will be insignificant in view of supplier profile of the Company

**19.** In respect of the company’s proposal to transfer its Film Business to MTV, since the no binding agreement has been entered into and the proposal is not yet ratified by the Board of Directors, disclosures required under Accounting Standard 24 have not been made.

**20.** The company created ,during the year ended March 31,2007, a division in the name and style of STUDIO 18 for the production , distribution and marketing of motion pictures and all associated businesses . Information required by the Accounting Standard on Segment Reporting , for the year ended March 31,2007 ( based on restated financials) , is as below :

<b>Income / Expenditure ( Rs lakhs)</b>	<b>Investment activities</b>	<b>Film business</b>	<b>Unallocable Assets</b>	<b>Total</b>
Revenues	857.66	760.97	0.00	1,618.63
Expenses	11.40	1,113.96	0.00	1,125.36
Segment Result	846.26	(352.99)	0.00	493.27
Less:Interest and Financial Charges				329.31
Less: Unallocable expenses				1,289.35
Loss before tax				(1,125.39)
Current tax ( including FBT)				2.57
Loss after tax				(1,127.96)
<b>Assets/ Liabilities</b>				
Segment Assets	35,294.46	2,886.37	1,929.19	42,042.31
Segment liabilities	3,912.50	2,463.78	1,248.63	7,624.91
Capital Expenditure	0.00	105.70	0.00	105.70
Depreciation	0.73	9.73	0.00	10.46
Other non cash expenses*	2.73	0.00	0.00	2.73

\*other than Stock Option chargeouts

21 . Adjustments made for the purposes of restatement relate to:

a.charge off in the year to which it relates, certain expenditure which was deferred to future years. The company had incurred certain expenditure on new projects during the financial years ended March 31,2003 (Rs 2.83 lakhs ) and March 31,2004 (Rs 13.40 lakhs ) . The said amounts were written off in the financial year ended March 31,2005 .

b.write off in the financial year ended March 31,2005 , of amounts non recoverable from SGA Media Inc . Provision was created in the financial year ended March 31,2005 for amounts aggregating to Rs 245.80 lakhs ( representing amounts due from SGA Media Inc ) on the cessation of business by that entity. Consequent to the realization of a part amount in the financial year ended March 31,2006, the net amount of Rs 199.41 has been written off in the restated financials in the financial year ended March 31,2005.

c. creation of Reserve u/s 45IC of the RBI Act in the year to which it relates .Having omitted to create a Reserve as required by Section 45IC of the Reserve Bank of India Act, 1934 for each year of profit, the company created the said reserve in FYE 2006 for all the relevant preceding years . The said reserve has been shown as created in the year to which it actually relates.

d. Accounting for in the financial year ended March 31,2006 dividend income of Rs 138.06 lakhs. This income pertains to income accrued till March 31,2006 ,on investments which have been transferred from TV 18 as part of the Scheme.

e. charge off in the relevant year , expense relating to Stock options granted to persons under the various TV 18 ESOP Schemes . Pursuant to the Scheme of Arrangement , all persons entitled to Shares under various ESOP / ESPS plans of Television Eighteen India Limited , were to be compensated for dilution in their grants by issue of Equity Shares in Network 18 Fincap Limited . Computed on the basis of fair market value of the Equity Shares of TV 18 , an aggregate sum of Rs 1459.72 lakhs has been expensed off in the financial years 2004-05, 2005-06 and 2006-07 .

## 22. Transactions with related parties

### A .List of related parties

<b><u>i.Shareholders having substantial interest</u></b> <b><u>( also Key Management Personnel)</u></b>			
<b><u>As at</u></b> <b><u>March 31,2007</u></b>	<b><u>As at March</u></b> <b><u>31,2006</u></b>	<b><u>As at March 31,2005</u></b>	<b><u>As at March 31,2004</u></b>
Raghav Bahl	Raghav Bahl	Raghav Bahl	Raghav Bahl
<b><u>ii. Subsidiaries</u></b>			
<b><u>As at</u></b> <b><u>March 31,2007</u></b>	<b><u>As at March</u></b> <b><u>31,2006</u></b>	<b><u>As at March 31,2005</u></b>	<b><u>As at March 31,2004</u></b>
<b><u>ii. (a) Direct subsidiaries</u></b>			
Television Eighteen India Limited (1)	SGA Media Inc (3)	SGA News Ltd	SGA News Ltd
Setpro Holdings P Ltd	Setpro Holdings P Ltd	SGA Media Inc	SGA Media Inc
SRH Broadcast News Holdings P Ltd (Note 2)	SRH Broadcast News Holdings P Ltd		

Global Broadcast News Limited (5)	SGA News Limited (4)		
Network 18 Holdings Limited ,Cayman Islands			

**Notes :**

1. Is a subsidiary with effect from the Appointed dated of September 30,2005, pursuant to the Scheme. The Scheme is effective September 27,2006. Was earlier a party under Significant influence.
2. Has ceased to exist with effect from December 2006 as a consequence of its merger with Global Broadcast News Limited.
3. Has ceased to be a subsidiary with effect from September 30,2005
4. Has ceased to be a subsidiary , consequent to the sale of investments to a related party.
5. Is a subsidiary with effect from March 30,2007 . Was earlier an entity under significant influence

**ii (b) Subsidiary Companies of Subsidiaries**

<u>As at March 31,2007</u>	<u>As at March 31,2006</u>	<u>As at March 31,2005</u>	<u>As at March 31,2004</u>
Television Eighteen Mauritius Limited ,Mauritius			
TV 18 UK Ltd ,UK			
TV 18 HSN Holdings Ltd , Cyprus			
TV 18 Home Shopping Network Pvt Ltd ,India			
Web 18 Holdings Limited, Cayman Islands			
E 18 Limited, Cyprus			
e- Eighteen.com Ltd , India			
Moneycontrol Dot com Ltd, India			
Television Eighteen Commoditiescontrol.com Ltd, India			
RVT Investments Private Limited, India			
iNews.com Ltd, India			
News Wire 18 India Pvt Ltd			
Web 18 Software Services Pvt Ltd, India			

**iii. Entities Under significant Influence**

<u>As at March 31,2007</u>	<u>As at March 31,2006</u>	<u>As at March 31,2005</u>	<u>As at March 31,2004</u>
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TV18 Senior Professionals Trust	TV18 Senior Professionals Trust	TV18 Senior Professionals Trust	TV18 Senior Professionals Trust
RB Investments P Ltd	Global Broadcast News Limited		
RRB Holdings P Ltd			
RVT Holdings Private Limited			
RVT Finhold Private Limited			
RVT Fincap Private Limited			
Big Tree Entertainment Private Limited			
RRK Holdings Private Limited			
RRB Datasoft Private Limited			
RB Software Pvt Ltd			
RB Softech Pvt Ltd			
R B Associates			
BK Media Pvt Ltd			
BK Media Mauritius Ltd			
BK Enterprises Ltd			
Digital 18 Media Pvt Ltd			
VT Investments Pvt Ltd			
SGA News Ltd			
VT Holdings Pvt Ltd			
RVT Softech Pvt Ltd			
RK Finhold Pvt Ltd			
Keyman Financial Services Pvt Ltd			

Network 18 Trust			
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B. Details of transactions ( Amount in Rs lakhs)

<b><u>i. Persons having Substantial interest / Key Management Personnel</u></b>				
<b><u>Nature of transaction</u></b>	<b><u>Year ended March 31,2007</u></b>	<b><u>Year ended March 31,2006</u></b>	<b><u>Year ended March 31,2005</u></b>	<b><u>Year ended March 31,2004</u></b>
Purchase of Equity shares of RVT investments from Raghav Bahl	1.00	0.00	0.00	0.00
Loans taken from Raghav Bahl	0.00	885.75	355.63	0.00
Loan returned to Raghav Bahl	0.00	939.60	301.78	0.00
Loan extended to Raghav Bahl	0.00	0.00	0.00	1,013.75
Loan repaid by Raghav Bahl	0.00	0.00	409.49	604.26
Interest paid to Raghav Bahl	0.00	0.00	11.69	0.00
Interest received from Raghav Bahl	0.00	0.00	8.06	16.27
<b>Balances outstanding</b>				
Raghav Bahl	0.00	0.00	53.85 (due to)	409.49 (due from )
<b><u>ii. Transactions with Subsidiaries ( including erstwhile subsidiaries and subsidiaries of subsidiaries )</u></b>				
	<b><u>Year ended March 31,2007</u></b>	<b><u>Year ended March 31,2006</u></b>	<b><u>Year ended March 31,2005</u></b>	<b><u>Year ended March 31,2004</u></b>
Preference Shares issued to TV 18 (including premium)	0.00	2015.00	0.00	0.00
Redemption of preference shares (including premium)	2,015.00	0.00	0.00	0.00
Paid towards conversion of warrants	0.00	957.60	106.40	121.60
Redemption of debentures held in TV 18	16.46	16.46	0.00	0.00
Loans taken from TV 18	1,500.00	0.00	0.00	0.00
Loans returned to TV 18	1,500.00	0.00	0.00	0.00
Service income received from TV 18 UK Ltd	32.80	0.00	0.00	0.00

Service income received from Television Eighteen Mauritius Limited	33.66	0.00	0.00	0.00
Dividend received from TV 18	595.77	2.94	0.00	0.00
Loans extended to SGA Media ( since repaid / adjusted)	0.00	75.41	327.31	291.81
Investment in Equity Shares of SGA News Limited	0.00	0.00	495.00	5.00
Investment in Equity shares of Setpro Holdings P Ltd	0.00	500.00	0.00	0.00
Investment in Equity shares of SRH Broadcast News Holdings P Ltd	0.00	197.00	0.00	0.00
Investment in Equity shares of Television Eighteen India Ltd	0.00	2,441.34	205.87	64.14
Reimbursements received from SGA News	0.00	0.00	2.00	0.35
Reimbursements of expenses incurred by TV 18	42.87	0.00	0.00	21.52
Interest paid to TV 18	1.02	0.00	0.00	0.00
Reimbursements of expenses incurred by Global Broadcast News Ltd	0.25	0.00	0.00	0.00
Reimbursements received from SGA Media	0.00	0.00	8.78	36.57
Reimbursement received from Global Broadcast News Ltd	117.42	0.00	0.00	0.00
Service/Management income received from SGA Media	0.00	0.00	0.84	1.63
Sale of Investments in RVT investments	1.00	0.00	0.00	0.00
<b>Expenses incurred by the company on behalf of</b>				
BK Media , Mauritius	31.91	0.00	0.00	0.00
TV 18 UK Ltd	13.83	0.00	0.00	0.00

BK Media Pvt Ltd	14.36	0.00	0.00	0.00
Television Eighteen Mauritius Ltd	19.92	0.00	0.00	0.00
<b>Investment in</b>				
Network 18 Holdings Ltd, Cayman Islands ( Preference Shares)	67.89	0.00	0.00	0.00
Network 18 Holdings Ltd, Cayman Islands ( Equity Shares)	67.89	0.00	0.00	0.00
<b>Redemption of Preference Shares in</b>				
Network 18 Holdings Ltd, Cayman Islands ( Preference Shares)	67.89	0.00	0.00	0.00
<b>Balances outstanding</b>				
Television Eighteen India Ltd	31.82 (due to )	0.00	0.00	19.35 (due from )
Global Broadcast News Ltd	0.25 (due to )	0.00	0.00	0.00
Television Eighteen India Ltd	0.00	0.00	106.40 ( paid for warrants)	121.60 ( paid for warrants)
TV 18 UK Ltd	45.01 (due from )	0.00	0.00	0.35
Television Eighteen Mauritius Ltd	53.57 (due from )	0.00	0.00	0.35
SGA News Ltd - Due to	0.00	0.00	0.00	0.35
SGA Media Inc- Due from	0.00	0.00	661.42	0.00
<b>ii. Transactions with Entities under significant influence</b>				
	<b><u>Year ended</u> <u>March 31,2007</u></b>	<b><u>Year ended</u> <u>March 31,2006</u></b>	<b><u>Year ended</u> <u>March 31,2005</u></b>	<b><u>Year ended</u> <u>March 31,2004</u></b>
Issue of preference shares to TV 18 Senior Professionals Trust	0.00	0.00	0.00	1000.00
Redemption of preference shares held in the company by TV 18 Senior Professionals Trust	1000.00	0.00	0.00	0.00
Interest received from R B Associates	4.68	0.00	0.00	0.00
Loan extended to R B Associates	100.00	0.00	0.00	0.00

Loan returned by R B Associates	100.00	0.00	0.00	0.00
Loan extended to RRB Holdings Pvt Ltd	854.61	0.00	0.00	0.00
Loan returned by RRB Holdings Pvt Ltd	854.61	0.00	0.00	0.00
Investment in Preference Shares of BK Media Pvt Ltd	2500.00	0.00	0.00	0.00
Investment made in RRB Holdings Pvt Ltd	155.38	0.00	0.00	0.00
Sale of investments in RRB Holdings Pvt Ltd to Tv 18 Senior Professionals Trust	155.38	0.00	0.00	0.00
Sale of investments in SGA News Limited to RRB Holdings Pvt Lts	155.38	0.00	0.00	0.00
Sale of Investments / dues from SGA Media Inc to RB Softech Pvt Ltd	0.00	549.00	0.00	0.00
<b>Balances outstanding</b>				
Network 18 Trust	0.04 (due from )			

**Annexure V – Accounting Ratios ( based on restated financials)**

<b>Particulars</b>		<b>March 31,2003</b>	<b>March 31,2004</b>	<b>March 31,2005</b>	<b>March 31,2006</b>	<b>March 31,2007</b>
Net Profit ( excluding Extraordinary items,net of tax) (Rs lakhs)	A	(2.24)	(6.36)	(252.88)	(411.82)	(1127.96)
Profit attributable to Equity Shareholders (Rs lakhs)	B	(2.24)	(6.36)	(252.88)	(411.82)	(1127.96)
Equity shares (No.)	C	3,000,000	5,000,000	5,000,000	5,000,000	50,863,395
Nominal Value of Equity Shares (Rs)		10	10	10	10	5 (Note 3)
Weighted Average number of Equity Shares outstanding during the year (No.s)	D	277,397	34,93,151	5,000,000	5,000,000	37,487,062
Diluted weighted average number of equity shares outstanding during the year (No.s)	E	277,397 (Note 1)	34,93,151 (Note 2)	5,000,000	5,000,000	58,108,404 (Note 4)
Net Worth (Rs lakhs)	F	301.85	991.53	1,238.68	2,934.06	32,485.11
<b>Earning Per share</b>						
- Basic (Rs)	A / D	(0.81)	(0.18)	(5.06)	(8.24)	(3.01)
- Diluted (Rs)	A / E	(0.81)	(0.18)	(5.06)	(8.24)	(3.01 ) (Note 5)
Return on Net worth (%)	A / F	(0.74)%	(0.64)%	(20.42)%	(14.04)%	(3.47)%
Net Asset Value per share (Rs) on the basis of outstanding shares	F / D	108.82	28.38	24.77	58.68	86.66
Net Asset Value on the basis of diluted shares	F / E	108.82	28.38	24.77	58.68	55.90

**Notes**

(1) 27,50,000 Equity shares were issued on March 28,2003 .

(2) 20,00,000 Equity Shares were issued on January 1,2004 .

(3) The nominal value of the Equity share has been reduced to Rs 5/- with effect from July 15,2006 .

(4) Including 20,621,342 Potential Equity Shares to be issued on conversion of PCCPS's and warrants attached thereto.

(5) Diluted EPS not computed being anti dilutive.

**Annexure VI – Capitalisation statement**

<b>Particulars</b>	<b>Pre issue As at March 31,2007 (Rs lakhs)</b>
<b>Total Debt</b>	
Short Term Debt *	5,376.29
Long Term Debt	<u>1,000.00</u>
	<u>6,376.29</u>
<b>Shareholders' Funds</b>	
Equity Share Capital	2,543.17
Securities Premium	32,426.57
Reserve u/s 45IC	2.28
Less: Profit and Loss account	-1,803.38
Less: Miscellaneous Expenditure	<u>-683.53</u>
Total Shareholders Fund	<u>32,485.11</u>
Long Term Debt to Total Shareholders' fund	0.0308

Notes :

1. Short Term debt refers to amounts payable within one year of the Balance Sheet dated March 31,2007
2. The **post offer capitalisation** can be ascertained only on completion of the offer .

**Annexure VII – Statement of Tax Shelters as,restated**

Particulars	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006
Profit/ (Loss)Before Tax but after Extraordinary items as per books (A)	(2.43)	(252.74)	(411.62)
Tax Rate - Normal	35.875%	36.593%	33.660%
MAT	7.690%	7.850%	8.420%
Tax at notional rate on profits	<b>(0.87)</b>	<b>(92.48)</b>	<b>(138.55)</b>
<b>Adjustments:</b>			
<b>Permanent Differences (B)</b>			
Exempt Incomes : Dividend Income	0.36	2.94	160.97
Inadmissible items	0.00	(20.70)	(130.59)
Doubtful Debts / Amounts written off	0.00	(199.44)	0.00
Stock option write off	0.00	(29.31)	(426.37)
Deferred revenue expenses written off	(17.37)	0.00	0.00
Filing Fee	0.00	0.00	0.00
<b>Total Permanent Difference (B)</b>	<b>(17.01)</b>	<b>(246.51)</b>	<b>(395.99)</b>
<b>Timing Differences ( C)</b>			
Difference between Tax Depreciation & Book Depreciation	0.93	0.48	0.02
Audit fee Payable u/s 40a	0.00	0.00	0.00
Carry Forward / (Set off) of Losses	0.00	0.00	0.00
<b>Total Timing Difference (C )</b>	<b>0.93</b>	<b>0.48</b>	<b>0.02</b>
<b>Net Adjustment (B+C)</b>	<b>(16.08)</b>	<b>(246.03)</b>	<b>(395.97)</b>
<b>Tax saving there on</b>	<b>(5.77)</b>	<b>(90.03)</b>	<b>(133.28)</b>
<b>Profit / (Loss) as per Income Tax returns (D) = (A-B-C)</b>	<b>13.65</b>	<b>(6.71)</b>	<b>(15.65)</b>

Note : Tax Shelters for FYE 2007 shall be firmed on compilation of the tax returns

**Annexure VIII : Statement of Contingent Liabilities**

<b>As at March 31,2003</b>	Nil
<b>As at March 31,2004</b>	Rs 87.77 lakhs in respect of investments pledged to secure the loans of a Director
<b>As at March 31,2005</b>	Rs 87.77 lakhs in respect of investments pledged to secure the loans of a Director
<b>As at March 31,2006</b>	a.In respect of premises taken on lease and sub leased. The minimum unexpired lease period ,as at March 31,2006 was 26 months at a monthly rent of Rs 19.57 lakhs.  b.Rs 74.61 lakhs in respect of investments pledged to secure the loans of a Director
<b>As at March 31,2007</b>	a. Market value of investments pledged in connection with loans to a Director and a related party – Rs 5386.30 lakhs  b. In respect of corporate guarantees given to Banks in connection with credit facilities extended to Subsidiaries Rs 13400 lakhs  c. In respect of premises taken on lease and sub leased. The minimum unexpired lease period ,as at March 31,2007 was 14 months at a monthly rent of Rs 19.57 lakhs.

**Annexure IX : Statement of Secured Loans and Assets charged as security**

<u>Lender</u>	<u>Amount (Rs lakhs)</u>	<u>Principal terms of loan / Assets charged</u>
<b>As at March 31,2003 and 2004</b>		
Nil		
<b>As at March 31,2005</b>		
Associated Capsules Limited	1000	Secured against pledge of personal investments of a Director
<b>As at March 31,2006</b>		
Infrastructure Leasing and Financial Services Limited	1100	Term Loan against pledge of Equity Shares in TV 18 , Post dated cheques and demand promissory note
Housing Development and Finance Corporation Limited	700	For Non residential premises . Secured by the pledge of Equity Shares in TV 18 , Post dated cheques , demand promissory note and Personal Guarantee of a Director.
<b>As at March 31,2007</b>		
Yes Bank Ltd	1364	Cash Credit facilities and Term Loan for film business . Secured by hypothecation of current and movable assets , personal guarantee of a Director and escrow of all dividend flows from TV 18
IL&FS Ltd	1100	Term Loan against Pledge of Equity Shares of Television Eighteen India Ltd
HDFC Ltd	612	Non Residential Premises loan against pledge of Equity Shares of Television Eighteen India Ltd
Cholamandalan DBS Finance Ltd	1000	Loan against Equity Shares of Television Eighteen India Ltd
Kotak Mahindra Prime Ltd	500	Term Loan against pledge of Equity Shares of Television Eighteen India Ltd and Personal Guarantee of a Director
Birla Global Finance Ltd	600	Loan against pledge of Equity Shares of Television Eighteen India Ltd and mutual fund investments
DSP Merrill Lynch Capital Ltd	1200	Term Loan against pledge of Equity Shares of Television Eighteen India Ltd

**Annexure X – Statement of Unsecured Loans ,as restated**

<b>As at March 31,2003</b>	Nil
<b>As at March 31,2004</b>	Nil
<b>As at March 31,2005</b>	Rs 53.83 lakhs from a Director
<b>As at March 31,2006</b>	Nil
<b>As at March 31,2007</b>	Nil

**Annexure XI : Statement of Loans and Advances as restated**

Amount in Rs lakhs

<b>Particulars</b>	<b>March 31,2004</b>	<b>March 31,2005</b>	<b>March 31,2006</b>	<b>March 31,2007</b>
Security and other deposits	0.15	0.15	117.57	80.70
Prepaid Taxes	0.15	5.94	6.34	11.04
Other recoverables	0.00	0.38	73.18	55.62
Staff Advances	0.00	0.00	0.00	3.06
Due from Subsidiaries	324.46	442.12	140.62	64.04
Due from a Director	409.49	0.00	0.00	0.00
<b>Total</b>	<b>734.25</b>	<b>448.59</b>	<b>337.71</b>	<b>214.46</b>

**Annexure XII - Statement of Quoted Investments**

<b>Particulars (Rs in lakhs)</b>	<b>March 31,2004</b>	<b>March 31,2005</b>	<b>March 31,2006</b>	<b>March 31,2007</b>
<b>Quoted Investments</b>				
Equity Shares in TV 18	38.83	244.70	2686.04	26618.38
Equity Shares in other (non group) companies	22.00	28.83	-	-
Non Convertible part of Zero Coupon Debentures in TV 18 (Note )	87.78	87.78	74.61	61.45
Equity Shares in Global Broadcast News	-	-	-	1970
Mutual Funds	-	-	938.00	2965.74
Cost of quoted investments	<u>148.61</u>	<u>361.31</u>	<u>3698.65</u>	<u>31615.56</u>
Market Value of quoted investments	581.43	669.00	11265.21	228478.87

Note : In absence of market quotes, these have been valued at cost .

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NETWORK 18 FINCAP LIMITED**

September 23, 2007

To,

The Board of Directors  
Network 18 Fincap Limited  
New Delhi

Sirs ,

We have, as instructed by the company, examined the attached Statement of Assets and Liabilities ( as per Annexure 2) and the Statement of Income and Expenses ( as per Annexure 1) of Network 18 Fincap Limited (N18) along with its subsidiaries ,as at and for the years ended on March 31,2004, March 31,2005 ,March 31,2006 and March 31,2007 as prepared by the company and approved by you.

This information relates to N18 and other entities which were its subsidiaries as on the year ends March 31,2004, March 31,2005 , March 31, 2006 and March 31,2007 . N18 did not have any subsidiary as on March 31,2003.

We confirm that the information in Annexures 1 and 2 is correctly extracted from the relevant Consolidated Accounts of N18 and its subsidiaries prepared for the dates mentioned above and reproduces correctly in Annexure 3 ,the notes to accounts as attached to the Consolidated Balance Sheet as at March 31,2007.

We understand that this report and the financial information is to be reproduced in an offer document proposed to be filed with the Securities and Exchange Board of India and *have to state that the accompanying information has not been prepared as per the requirements of Part II of Schedule II of the Companies Act,1956 and we are unable to confirm its appropriateness, completeness or the manner / context of its presentation in the said offer document*

**For G S Ahuja & Associates**  
**Chartered Accountants**

**G S Ahuja**  
Proprietor

Membership No. 87732  
Noida

**Annexure 1 : Extract of the Consolidated Profit and Loss Accounts**
**(Rs '000s)**

<b><u>Particulars</u></b>	<b><u>March 31,2004</u></b>	<b><u>March 31,2005</u></b>	<b><u>March 31,2006</u></b>	<b><u>March 31,2007</u></b>
<b>Income</b>				
Film Business	0.00	0.00	0.00	0.00
Interest	16.27	8.29	0.00	857.28
Advertisement income	61.02	157.24	1669.87	30828.84
From investments	0.36	30.36	46.39	681.16
Distribution Income	0.00	0.00	1016.84	0.00
Profit on asset sale	0.00	0.00	0.00	40.06
Internet operations	0.00	0.00	0.00	2425.76
Miscellaneous Income	0.00	0.00	0.00	232.90
Gain on exchange fluctuation	0.00	0.00	0.00	18.34
Equipment Hire	<u>0.00</u>	<u>37.95</u>	<u>82.80</u>	<u>576.77</u>
Total Income	<u>77.65</u>	<u>233.84</u>	<u>2815.90</u>	<u>35661.11</u>
<b>Expenditure</b>				
Film costs	0.00	0.00	0.00	0.00
Production, Administrative and other costs	275.47	1872.41	3988.00	20985.84
Personnel Expenses	105.46	646.80	1162.45	9992.35
Financial Charges	0.00	16.67	214.07	3590.32
Depreciation	<u>2.60</u>	<u>35.46</u>	<u>139.18</u>	<u>2406.20</u>
Total Expenditure	<u>383.53</u>	<u>2571.34</u>	<u>5503.70</u>	<u>36974.71</u>
<b>Profit before tax , extraordinary items</b>	<b>(305.88)</b>	<b>(2337.50)</b>	<b>(2687.79)</b>	<b>(1313.60)</b>
Non recoverable amounts written off	0.00	0.00	0.00	0.00
Deferred Revenue expenses written off	0.00	0.00	0.00	0.00
Prior period incomes	0.00	0.00	0.00	0.00
<b>Profit before tax</b>	<b>(305.88)</b>	<b>(2337.50)</b>	<b>(2687.79)</b>	<b>(1313.60)</b>
<b>Provision for taxation</b>				
Taxes	4.14	18.37	30.33	183.61
Deferred Tax	0.00	0.00	0.00	0.00
Fringe Benefit tax	0.00	0.00	0.00	0.00
Net profit ( loss) for the period	(310.01)	(2355.87)	(2718.13)	(1497.21)
Appropriations				
Profit brought forward (1)	0.35	(272.98)	(2628.85)	(4877.41)
Transfer to reserves u/s 45IC of the RBI Act	0.00	0.00	(2.27)	0.00

Transfer to redemption reserve	0.00	0.00	(10.01)	0.00
Prior period adjustments	0.00	0.00	29.29	0.00
Adjustment for losses of erstwhile subsidiaries	0.00	0.00	340.88	369.85 (Note 2)
Minority Interest in preacquisition surplus	2.28	0.00	(2.72)	766.82
Minority Interest in current year profits	34.40	0.00	114.40	1318.71
Balance profit carried forward	(272.98)	(2628.85)	(4877.41)	(3919.24)

Notes :

- (1) Balance in the Standalone Profit and Loss account as at March 31,2003.
- (2) Adjusted for erstwhile and new subsidiaries

**Annexure 2 : Extract of Consolidated Balance Sheets**

	(Rs '000s)			
	March 31,2004	March 31,2005	March 31,2006	March 31,2007
<b><u>Assets</u></b>				
Fixed Assets - Gross Block	42.55	738.27	734.16	21152.70
Less: Depreciation	<u>2.60</u>	<u>38.06</u>	<u>172.44</u>	<u>5854.10</u>
Net Block	39.95	700.20	561.72	15298.60
Capital Work in Progress	0.00	0.00	0.00	359.08
Investments	270.21	855.26	4943.92	30912.31
Goodwill, on consolidation	34.40	34.40	496.77	12870.12
Deferred Tax Asset	0.00	0.00	0.00	129.86
<b><u>Current Assets</u></b>				
Inventory	0.00	0.00	0.00	2655.68
Sundry Debtors	15.76	148.29	1572.10	21847.71
Cash and Bank balances	11.73	64.22	331.80	23803.62
Loans and Advances	<u>410.22</u>	<u>319.79</u>	<u>1920.79</u>	<u>13331.36</u>
Total Current Assets, Loans and Advances	<u>437.71</u>	<u>532.30</u>	<u>3824.69</u>	<u>61638.37</u>
<b>Total Assets</b>	782.27	2122.16	9827.10	121208.34
<b><u>Liabilities and Provisions</u></b>				
<b><u>Loan funds</u></b>				
Secured Loans	0.00	109.50	1823.08	35144.68
Unsecured Loans	<u>0.00</u>	<u>53.85</u>	<u>0.00</u>	<u>11351.41</u>
	0.00	163.35	1823.08	46496.09
ESOP outstanding	0.00	0.00	0.00	433.56
<b><u>Current Liabilities and Provisions</u></b>				
Current Liabilities	96.37	555.47	2869.75	13057.21
Deferred Tax liability	0.00	0.00	0.00	497.08
Other Provisions	4.31	32.19	79.83	706.49
Provision for deferred tax	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total current liabilities and provisions	<u>100.68</u>	<u>587.66</u>	<u>2949.58</u>	<u>14260.78</u>
Total Liabilities	<u>100.68</u>	<u>751.01</u>	<u>4772.66</u>	<u>61190.43</u>
<b><u>Net worth</u></b>	<b><u>681.59</u></b>	<b><u>1371.15</u></b>	<b><u>5054.44</u></b>	<b><u>60017.91</u></b>
<b>Represented by</b>				
<b><u>Shareholders' Funds</u></b>				
Equity Share capital	500.00	500.00	500.00	2543.17
Preference Share Capital	500.00	1000.00	2040.10	0.00
Securities Premium	0.00	1195.62	6189.88	0.00
General Reserve	0.00	0.00	0.00	85.98

Capital Reserve	0.00	0.00	0.00	4817.88
Exchange Fluctuation reserve	0.00	0.00	0.00	(19.01)
Preference Share/ Debenture Redemption Reserve	0.00	54.38	10.01	161.41
Share Application Money	0.00	0.00	347.20	0.00
Securities Premium	0.00	0.00	0.00	32426.59
Reserve u/s 45IC of the RBI Act	0.00	0.00	2.27	2.27
Surplus as per Profit and Loss account	(272.98)	(2628.85)	(4877.41)	(3919.24)
Less: Minority Interest	0.00	1250.00	842.39	24878.56
Less: Miscellaneous expenditure not written off	<u>(45.43)</u>	<u>0.00</u>	<u>0.00</u>	(959.70)
	<b><u>681.59</u></b>	<b><u>1371.15</u></b>	<b><u>5054.44</u></b>	<b><u>60017.91</u></b>

**Annexure 3 : Notes to accounts ( as annexed to the Consolidated Accounts of Network 18 Fincap Limited and its subsidiaries for the year ended March 31,2007**

1.

A.The financial statements for the year ended March 2007 comprise a consolidation of the accounts of Network 18 Fincap Limited, the Parent and its subsidiaries

i. Direct Subsidiaries

<b>Company</b>	<b>Country of Incorporation</b>	<b>Percentage stake of the Parent</b>
Global Broadcast News Limited [See also Note 2 A (e)]	India	38.95%
Setpro Holdings Private Limited	India	66.00%
Television Eighteen India Limited and its subsidiaries. [See also Note 2 A (e)]	India	49.18%
Network 18 Holding Limited.	Cayman Islands	100.00%

ii. Subsidiaries of Direct Subsidiaries

TV 18 HSN Holdings Limited	Cyprus	100.00%
TV 18 Home Shopping Network Pvt Ltd	India	100.00%
Television Eighteen Mauritius Limited	Mauritius	100.00%
TV 18 UK Ltd	United Kingdom	100.00%
Web 18 Holdings Limited	Cyprus	100.00%
E 18 Limited	Cyprus	100.00%
E Eighteen.com Ltd	India	91.95%
Money control Dot Com Ltd	India	100.00%
Television Eighteen Commodities control.com Ltd	India	79.97%
Web 18 Software Services Pvt Ltd	India	100.00%
RVT Investments Private Limited	India	100.00%
iNews.com Limited	India	99.15%
News Wire 18 India Pvt Ltd	India	100.00%

iii. Joint Ventures

Job Street.com Private Limited	India	50%
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**B.** The financial statements for the year ended March 31,2006 comprise a consolidation of the accounts of Network 18 Fincap Limited, the Parent and its subsidiaries as under.

Setpro Holdings Private Ltd	India	38.95%
SGA News Limited	India	79.90%

**C.** The financial statements for the year ended March 31,2005 comprise a consolidation of the accounts of Network 18 Fincap Limited, the Parent and its subsidiaries as under.

SGA News Limited	India	100.00%
SGA Media Inc	USA	51.00%

**D.** The financial statements for the year ended March 31,2004 comprise a consolidation of the accounts of Network 18 Fincap Limited, the Parent and its subsidiaries as under.

SGA News Limited	India	100.00%
SGA Media Inc	USA	51.00%

## **2. Background**

### **A. In relation to Network 18 Fincap Ltd**

a. Network 18 Fincap Limited ( N18) was incorporated as SGA Finance and Management Services Private Limited in 1996 . The name was changed to Network 18 Fincap Private Limited in April 2006 . It was converted into a Public Company on October 20,2006.

c. N18 is registered with the Reserve Bank of India as a Non Banking Finance Company.

d. Pursuant to and as a consequence of the Scheme of Arrangement as approved by the Hon'ble Delhi High Court on July 20, 2006 ( effective from October 1,2005) between Television Eighteen India Limited (TV 18 ) , SGA News Limited (SGA) and N18 , N18 issued Equity Shares to the eligible Shareholders of TV 18 .

e. N18 , alongwith (i) Raghav Bahl and RB Investments Pvt Ltd holds 51.61 % of the issued capital of TV 18 (ii) TV 18 and RVT Investments Pvt Ltd hold 56.50% of the issued capital of Global Broadcast News Limited (GBN) and , has , entered into agreements for the management as a single unit of the TV channels 'CNBC TV 18 / CNBC Awaaz ' and 'CNN IBN' respectively . Accordingly , these consolidated accounts are prepared on the basis of control .

f. N 18 has filed with the Securities and Exchange Board of India , a draft letter of offer on March 30,2007, for the issue on a rights basis of Partly Convertible Cumulative Preference Shares (PCCPS) of Rs.200 (face value) each in the ratio 1:5 i.e. 1 (one) CCPS for 5 (five) equity share.

### **Post Balance Sheet date events**

g. The Indian Film Company (TIFCG), was incorporated in Guernsey as a wholly owned subsidiary of N18 in April 2007 and N18 has invested 10 million GBP in TIFCG as its Contribution . Consequent to a listing on the Alternative Investment Market of the London Stock Exchange in June 2007 and its resulting dilution , TIFCG has ceased to be a subsidiary of N18.

h. Subject to regulatory approvals , the motion picture business of N18 is proposed to be transferred to a new venture - Viacom 18 .

### **B. In relation to TV 18**

a. TV18 was incorporated in 1993 and is primarily engaged in content production and broadcasting.

b. Television Eighteen Commoditiescontrol.Com Limited (Formerly Eighteen Entertainment India Limited) had acquired the running business of an established commodities portal - M/s Agri Informatics India Private Limited on 29 October, 2004. On 24 May, 2005 the name of the company has been changed to Television Eighteen Commoditiescontrol.Com Limited (TECCL) However during the previous year ended 31 march 2007 Television 18 Commodities control Limited had been disposed of by Tv18 limited to E18 Limited Cyprus, which has become the holding company subsequent to such disposal.

c. Television Eighteen Mauritius Limited (TEML) was incorporated in 1996 in the Republic of Mauritius under the Mauritius Offshore Business Activities Act, 1992 with production of television programmes as its principal business activity. The said act has since been repealed and replaced by Companies Act, 2001 under which TEML is know as a company holding Category 1 Global Business license and is regulated by the Financial Services Commission.

d. **E-18 was incorporated on 28 March 2000 as a subsidiary of TV18 with the primary objective of setting up of business and finance, internet portal. e-18 acquired the business of an established personal finance portal Moneycontrol Dot Com India Private Limited on 21 May, 2000. Shares of E 18.com Limited were sold to E18 Limited Cyprus on 15 June 2006 and subsequent to the sale the Company has now become subsidiary of E18 limited Cyprus.**

e. INews.com Limited was incorporated on 28 August, 2000 as a subsidiary of TV18. The company has not yet commenced operations but has earned income from investments of surplus funds.

f. RVT Investment Private Limited was incorporated on 9 July 2006 with the primary objective of dealing in or trading in shares, securities, debenture and investment as a subsidiary of Tv18 (I) limited. The company has not yet commenced operation.

g. Newswire 18 Private Limited was incorporated on 18 September, 2006 as Livewire Motion Pictures Private Limited. Consequent to transfer of entire share capital of promoters of Livewire Motion Pictures Private Limited, Raghav Bahl, Sanjay Ray Chaudhuri and Vandana Malik, to the Parent on 15 November, 2006, the Company became the subsidiary of the Parent. In terms of a resolution passed by the members of the company on 1 December, 2006, the name of the company was changed to News Wire 18 India Private Limited. NewsWire18 Private Limited acquired the staff and business of CRISIL Market Wire Limited, India's first real-time financial news agency and market data platform company.

### **C. In relation to GBN**

Global Broadcast News Limited was incorporated on 6 June, 2005 as Global Broadcast News Private Limited. The Company was converted into a public limited Company and a revised Certificate of Incorporation was issued to give effect to this change on 12 December, 2005. The Company is in the business of broadcasting, and operates a news channel "CNN IBN" (consequent to a licensing and content sharing agreement with Turner Broadcasting System Asia Pacific, Inc.). The commercial operations of the Company commenced on 17 December, 2005.

### **D. In relation to TV 18 Home Shopping Network Pvt Limited**

a. Network 18 Holdings Limited, Cayman Islands was incorporated on April 19, 2006 as TV 18 Holdings Limited. The name of the company was changed with effect from January 19, 2007 to Network 18 Holdings and to Network 18 Holdings Limited on February 12, 2007. The company is an Investment company and holds 100% of the issued capital of TV 18 HSN Holdings Limited, Cyprus.

b. TV 18 HSN Holdings Limited, Cyprus, was incorporated on April 29, 2006. It is a Joint Venture between Network 18 Holdings Limited, Cayman Islands and SAIF SB Asia Investment Fund II, LP. The company has established a 100% subsidiary in India called TV 18 Home Shopping Network Private Limited. The company has received permission from the FIPB, India, permitting investment in the TV channel proposed to be set up by TV 18 Home Shopping Network Private Limited.

c. TV 18 Home Shopping Network Private Limited, India is engaged in the business of encouraging shopping from home and has applied for permission to the Ministry of Information and Broadcasting to launch a T Channel for the purpose.

### **E. In relation to Setpro Holdings Private Limited**

The Parent invested in Setpro Holdings in FYE 2006. Setpro is engaged in the distribution of TV Channels.

### **3. Significant Accounting Policies followed in preparation of accounts for the year ended March 31, 2007**

These financial statements have been prepared in accordance with the Accounting Standards as prescribed by the Institute of Chartered Accountants of India and referred to in section 211(3)(c) of the Companies Act 1956. Significant accounting policies adopted in the presentation of the accounts are:

#### **a. Basis of Accounting**

The financial statements have been prepared under the historical cost convention and comply with the Accounting Standards prescribed by the Institute of Chartered Accountants of India.

#### **b. Basis of consolidation**

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Parent.

The consolidated financial statements have been prepared on the following basis:

i. The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.

ii. Interest in a jointly controlled entity is reported using proportionate consolidation.

iii. The excess of cost to the Company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates, on which the investments in the subsidiary companies are made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment, is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

iv. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.

### **c. Revenue Recognition**

**i.** Advertisement revenue comprises:

- Revenue from sale of advertising time, which is recognised on the accrual basis when advertisements are telecast in accordance with contractual obligations.
- Advertisement revenue earned from displaying banner ads on the portal, which is recognised proportionately on the number of impressions achieved. Other advertisement revenue is recognised on accrual basis in accordance with contractual obligations.
- Revenues from sponsorship contracts, which is recognised proportionately over the term of the sponsorship.

**ii.** Subscription revenue is recognised on the accrual basis in accordance with the terms of the contract with the distribution and collection agency.

**iii.** Program revenues are accounted for on the basis of dispatch of programmes in accordance with contractual commitments.

**iv.** Revenue from content licensing is recognised proportionately over the period of the contract for sale of content.

**v.** Income from online trading, comprising exclusivity fees received from customers for displaying their logos on the Moneycontrol portal, is recognised proportionately based on the volume of online trading generated or at the end of the contract period, whichever is earlier.

**vi.** Equipment rental is accounted for on the accrual basis for the period of use of equipment by the customers.

**vii.** Dividends on investments are accounted for when the right to receive dividend is established.

**viii.** Revenues from Band Placement are recognised proportionately over the period of subsequent contracts with the cable operators.

**ix.** In case of distribution of motion pictures, revenue is recognised on the date of release of the picture. Overflow from distributors is accounted for recognised on the receipt of information / receipt of funds whichever is earlier.

**x.** Revenue from other rights to motion pictures , inter alia , Satellite Rights , Home Video Rights , Music Rights , is recognised on the date of the agreement for assignment of the above rights.

**xi.** Recognition of revenues uncertain of recovery till the release of the motion picture projects are deferred till such event .

#### **d. Fixed Assets**

Fixed Assets are stated at their original cost of acquisition / installation less depreciation. All direct expenses attributable to acquisition / installation of assets are capitalized.

#### **e. Impairment of Assets**

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit & Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

#### **f. Depreciation**

Depreciation on all assets is charged on straight line basis over the estimated useful lives using rates (including double shift depreciation rates wherever applicable) prescribed by Schedule XIV of the Companies Act, 1956, except in respect of:

- i. Cost of improvements to leasehold premises which is amortised over the period of lease (including renewal options) of the premises.
- ii. Computer software which is depreciated over a period of 5 years in case of TV18, GBN and Newswire 18.
- iii. Furniture and fixtures which are depreciated over a period 10 years in case of TEMPL.
- iv. Vehicles which are depreciated over a period of 5 years in case of TEMPL.
- v. Plant & Machinery which is depreciated over a period of 5 years in case of TEMPL.
- vi. Distribution equipments which are depreciated over a period of 8 years in case TV18.

These rates are higher than the rates prescribed by Schedule XIV of the Companies Act,1956.

News Archives are depreciated on straight line basis at the rate of 4.75% per annum. Useful life of News Archives is estimated for a period longer than 10 years as the contents of the same are continuously used in day to day programming and hence the economic benefits from the same arise in a period longer than 10 years.

Depreciation on additions is charged proportionately from the date of acquisition/ installation except in case of TEMPL where the assets are depreciated for the full year in the year of acquisition. Assets costing less than Rs. 5,000 individually have been fully depreciated in the year of purchase.

Depreciation on assets disposed-off during the year is charged proportionately till the date of sale except in the case of TEMPL where no depreciation is charged in the year of disposal.

#### **g. Goodwill**

Purchased Goodwill is amortised over a period of 5 years.

#### **h. Inventory Valuation**

i. The Group amortises the cost of motion picture rights acquired or produced by it, on first theatrical release of the movie. The said amortisation is made proportionately on Domestic Theatrical Rights, International Theatrical Rights, Television Rights, Music Rights and Video Rights, as applicable to each case, based on Management estimate of revenues from each of these rights. In case of aforesaid rights being not exploited alongwith or prior to the first theatrical release, proportionate appropriated cost of the said right is carried forward to be written off as and when such right is commercially exploited or at the end of one year from the date of first theatrical release, whichever occurs earlier.

ii. Inventory of films, thus, comprises of unamortised cost of such movie rights alongwith amounts paid for motion pictures under production / in process .

iii. Projects in progress are stated at cost , which includes payments made to co producers , directors, writers etc

iv. Stock of DVDs / CDs are stated at cost .

v. Raw Tapes are stated at lower of cost or market value .

vi. The cost of funds borrowed specifically for the funding of films is inventorised as part of cost of the film. The cost of funds borrowed generally is determined by applying a weighted average capitalization rate to the amount funded for the said film.

vii . Inventories also include raw material, work in progress and completed/pilot programmes. Raw materials comprise stocks of used and unused tapes and compact discs, and are valued at cost on FIFO basis. Stocks of tapes are written off over the useful life of these tapes which is estimated at three years.

viii. Stocks of certain tapes are written off at the time of purchase.

#### **i. Investments**

i. Long term investments are stated at cost less permanent diminution in the value of such investments. Current investments are carried forward at lower of cost or fair value.

ii. Quoted Investments are valued at cost or market price whichever is lower while unquoted investments are valued at cost

#### **j. Borrowing Costs**

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably.

#### **k. Leases (where the Company is the lessee)**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term

#### **l. Retirement Benefits**

i. Company's contribution to the Employees' Provident Fund is charged to the profit and loss account each year.

ii. Short term employee benefits (Medical, Leave travel allowance, etc.) expected to be paid in exchange for the services rendered is recognised on undiscounted basis

iii. Gratuity to employees of TV and its Subsidiaries is based on the Group Gratuity Scheme of an insurer. The liability at the year end is provided for on the basis of actuarial valuation using projected unit credit method (PUCM). Gratuity to GBN's and the Parent's employees is provided on the basis of Actuarial Valuation using the PUCM Method.

iv. Long term compensated absences are provided for on the basis of an actuarial valuation using projected unit credit method (PUCM).

#### **m. Miscellaneous Expenditure includes**

i. Preliminary expenses of TV 18 incurred till 31 March, 2003 are amortised over a period of 10 years. For the subsidiaries, preliminary expenses are either written off when incurred or amortised over 2 to 10 years.

ii. Premium on redemption of debentures ( issued by TV 18 ) is written off over the term of the debentures. (See also note 9 below)

iii. Expenditure incurred towards a proposed rights issue of N18.

iv. Pre operative expenses aggregating to Rs 18,231,949 in iNews.com Limited as the company has not yet commenced operations.

#### **n. Transactions in foreign exchange**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary items denominated in a foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling at the cut off date. Exchange difference arising on a foreign currency transaction is recognized as income or expense in the year in which it arises except in the case of fixed assets where these amounts are increased/ decreased in the fixed asset.

In respect of the subsidiary, income and expenses are translated into the reporting currency at the average rate. All assets and liabilities are translated at the closing rate. Exchange gain or loss arising on translation is credited or charged to the exchange rate reserve.

#### **o. Provision for Income Tax**

Income tax comprises deferred tax and current tax. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets and liabilities are measured using the tax rate enacted or substantively enacted by the Balance Sheet date.

Under the current Mauritius Legislation, TEML is subject to income tax at the rate of 15% but is entitled to a tax credit for foreign taxes equivalent to the greater of the actual foreign taxes paid and 80% of Mauritius tax payable on its foreign source income.

Provision for tax in case of TV 18 HSN Holdings Cyprus , includes Special Defence Contribution , as applicable.

Deferred tax assets on unabsorbed depreciation and carry forward of losses are not recognised unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets.

#### **p. Earnings Per Share**

The group reports basic and diluted earnings per share in accordance with AS 20 on Earnings Per Share . Basic earnings per equity share have been computed by dividing the Net Profit(Loss) after tax by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is calculated using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

#### **q. Website development costs**

Costs incurred in the planning or conceptual development of the web site are expensed as incurred. Once the planning or conceptual development of a web site has been achieved, and the project has reached the application development stage, the Group capitalizes all costs related to web site application and infrastructure development including costs relating to the graphics and content development stages. Training and routine maintenance costs are expensed as incurred.

#### **r. Employee Stock Option Scheme**

Stock options granted to eligible persons under Stock Option schemes are accounted for as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by the Securities and Exchange Board of India.

Accordingly, in the case of Schemes of TV 18 , the excess of average market value of the shares over the preceding 2 weeks of the date of issue of shares over the issue price of the shares is recognized as employee compensation and is charged to the Profit and Loss account, on Straight Line basis over the vesting year of the options. The amortized portion of the cost is shown under Reserves and Surplus.

In the case of Schemes of the parent ( which are successor Schemes of TV 18 plans) , the charge to Profit and Loss account has been computed on the basis of Fair Market Value of TV18.

#### **s. Employee Stock Purchase Scheme**

Shares issued under the Stock Purchase schemes are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by the Securities and Exchange Board of India.

Accordingly, in the case of Schemes of TV 18 , the excess of average market value of the shares over the preceding 2 weeks of the date of issue of shares over the issue price is recognized as employee compensation and is charged to the Profit and Loss account, on the date of issue of shares to the employees.

In the case of Schemes of the parent ( which are successor Schemes of TV 18 plans) , the charge to Profit and Loss account has been computed on the basis of Fair Market Value of TV18.

#### **t. Employee Stock Award Scheme**

Awards granted under the stock award scheme as per accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India.

Accordingly, in the case of TV 18 the excess of market value of the share price as at the balance sheet date over the market value on the date of grant of Awards are recognized as deferred employee compensation and is charged to the profit and loss account on straight line basis over the vesting period of the Awards. The deferred employee compensation is adjusted for change in market value at each balance sheet date.

In case of N18 , the appreciation between the grant price and the Fair Market Value ,as applicable , is recognised as a cost in the Profit and Loss account .

#### **u. Use of estimates**

The preparation of the financial statements requires estimates and assumptions to be made that effect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of income and expenses during the reporting period. Differences, if any , between the actual results and estimates are recognized in the period in which the results are known. Provision for expenses are stated at best estimates made by the company

### **4. Scheme of Restructuring**

The Group's Scheme of Arrangement and Restructuring (Scheme) to:

- demerge Media Investment Undertaking of TV 18 to the parent (formerly, SGA Finance & Management Services Private Limited);
- merge Indian News Business Undertaking of SGA News Limited (SGA); and
- reduce Share Capital of TV 18

was approved by the Hon'ble High Court of Delhi on 20 July, 2006 and is effective from 1 October 2005.

#### **a. Demerger of Media Investment Undertaking**

- i. On the scheme becoming effective, the following assets of TV 18 have been transferred to the parent at book values:

<b>Particulars</b>	<b>(Rupees millions)</b> <b>Amount transferred</b>
Equity Shares –SGA News Limited	391.00
Equity Shares – SRH Broadcast News Holding (P) Limited	197.00
Preference Shares – Network 18 Fincap (P) Limited	201.50
Share Application Money-TV18 Holdings Limited, Caymans Island	67.90
Cash & Cash Equivalents	664.32
	<b>1,521.72</b>

The break up of investments actually transferred to the parent is different from the investments as approved by the High Court vide its order. However the total amount of the investments transferred is the same.

ii. As per the scheme , during the intervening period, TV18 shall be deemed to have been carrying on all business and activities relating to the Demerged Undertaking on behalf of Network 18 and all profits accruing to the Transferor Company, or losses arising or incurred by them relating to the Demerged Undertaking shall be treated as the profits or losses of the Network 18.

iii. TV18 has earned dividends on aforesaid investments aggregating to Rs. 26.33 million during the period starting from appointed date and ending on effective date. In the books of the parent ,out of Rs. 26.33 million, Rs. 13.81 million of dividend income pertaining to the period starting from appointed date and ending on 31 March, 2006 has been adjusted from the debit balance of profit and loss account and the remaining has been adjusted from current period's profit and loss account.

iv. Pursuant to scheme of arrangement, each fully paid up equity shares of Rs. 10 of TV18 was split into 2 fully paid up equity shares of Rs. 5 and TV 18's capital was reduced by 30% . The shareholding in TV18 is re-organized and bifurcated as follows in respect of every 10 equity shares of face value of Rs 10 each in TV18:

- 14 equity shares of face value Rs 5 each in TV18, and
- 12 equity shares of face value Rs 5 each in Network 18

Consequently, TV 18 has issued 8,417,290 shares to existing shareholders

#### **b. Merger of Indian Business News Undertaking**

i. On the scheme becoming effective, the following assets and liabilities of SGA have been transferred to TV 18 at book value:

<b>Particulars</b>	<b>(Rupees in million)</b> <b>Assets /(liabilities) as on effective date</b>
Fixed Assets	52.95
Investments	88.76
Debtors	142.38
Other Current Assets	27.04
<b>Total (A)</b>	<b>311.13</b>
Share Applicable Money received from TV18	166.15
Liabilities as per scheme	296.97
<b>Total (B)</b>	<b>463.12</b>
<b>Net Assets(A-B)</b>	<b>(151.99)</b>

ii. As per the scheme of restructuring, during the intervening period, SGA shall be deemed to have been carrying on all business and activities relating to the demerged Undertaking on behalf of TV 18 and all profits accruing to the Transferor Company, or losses arising or incurred by them relating to the demerged undertaking shall be treated as the profits or losses of TV 18.

iii. Debit balance of profit and loss account of Rs. 104.86 million of merged entity as on 31 March, 2006 has been adjusted from profit and loss account.

iv. In consonance to the restructuring scheme, TV 18 had issued 22,966,207 shares to the Shareholders of SGA News Limited in the ratio of 3.67 equity shares of face value of Rs 5 each for every one equity share of face value of Rs 10 each held by the shareholders of the SGA News Limited in that company.

## 5. Scheme of Amalgamation between GBN and SRH

The Board of directors of the Company in their meeting on 2 May, 2006 approved a scheme of amalgamation of the Company with SRH Broadcast News Holdings Limited (SRH). As per the scheme, SRH (the 'Transferor Company') comprising all its assets and liabilities was transferred to and vested in the Company at its book value as a going concern as and from the appointed date of 1 October, 2005.

All movable assets including cash in hand of the Transferor Company capable of passing by manual delivery or by endorsement and delivery, were delivered or endorsed to the Transferee Company.

The Company without any further payment, issued and allotted equity shares at par on a proportionate basis to each member of SRH who was holding shares on the specified date, in the ratio of 10.61:1 (5.2:1 as on 31 March, 2006), i.e. for every one equity share of the face value of Rs 10 held in Transferor Company, 10.61 equity shares of the face value of Rs 10 each in Transferee Company were issued. The swap ratio has been adjusted according to the changes in share capital of the Company and all such adjustments are deemed to be an integral part of the Scheme of Amalgamation. From the date the scheme came into effect, all the employees of the Transferor Company in service as on the Effective Date are deemed to have become the employees of the Transferee Company.

The scheme of Amalgamation is considered effective from December 4, 2006, the date on which the certified copies of the orders of the High Court vesting the undertaking in the company were filed with Registrar of Companies. Consequent upon amalgamation of the companies, the transferor company stands dissolved. Details of various assets and liabilities transferred as a result of merger is as follows:

Particulars	Debit Amount (Rs.)	Credit Amount (Rs.)
<b>a. Assets</b>		
Investment	709,708	
Cash and Bank Balances	127,056	
Loan and advances	9,000,000	
<b>b. Liabilities</b>		
Current Liabilities		861,732
<b>C. Balance in Profit &amp; Loss Account (Loss)</b>	1,023,310	
<b>d. Balance amount adjusted to General reserve</b>		9,998,341
<b>Total</b>	<b>10,860,073</b>	<b>10,860,073</b>

## 6. Significant transactions during the year

### a. Business transfer from Crisil Marketwire

i. Under an agreement dated 14 November, 2006 between Television Eighteen India Limited and Crisil Limited and Crisil Marketwire Limited, the business undertaking providing financial market newswire services, operated by Crisil Marketwire, has been acquired on a slump sale basis, with effect from 1 January, 2007 by Television Eighteen India Limited and housed in the company.

ii. The amount paid for the acquisition has been capitalized under Goodwill.

iii. As per the agreement, the company has also reimbursed to Crisil Limited/ Crisil Marketwire Limited amounts incurred by those companies towards all costs (including addition to fixed assets, equipment and software). Costs are net of proportionate revenues attributable to the business which belong to TV18.

iv. These amounts, as detailed below , have been capitalized / charged to the Profit and Loss account on the basis of information received from Crisil / Crisil Marketwire Limited .

	<b>Amount (Rs.)</b>
Assets capitalised	39,990,526
Amounts expensed off	19,750,236
Incomes apportioned to Newswire	2,431,481

## **b. Disposal of Business**

During the previous year TEML had an investment of Rs. 181,770,518 (USD 4170005) in TEML Broadcast limited, Mauritius. Consequent to winding up of the Company, the Investment had been written off from Goodwill account in its holding company.

## **c. Acquisition of Urban Interactive**

On 14 July 2006, Web 18 Software Services Limited ( Web 18 ) a step down subsidiary entered into a binding Memorandum of Understanding (MoU) to acquire the entire business of Urban Interactive alongwith assets, liabilities, contracts, employees and intangible assets for a purchase consideration of USD 252,351 (Rs. 11,000,000).

Further, as per the MoU, the purchase consideration also includes issuance of equity shares in Web 18 worth USD 151,411 (Rs. 66,00,000) at a valuation equivalent to the valuation used for the proposed first placement by Web 18 at end of the first year (First year shares).

Additionally, the purchase consideration also includes issuance of equity shares of the Web 18 , equivalent in number to the first year shares at the end of the second year and third year.

Further, as per the MoU, the seller shall remain in exclusive employment of the purchaser for a minimum continuous period of 36 months. In case, the seller decides to leave the step down subsidiary before the period of 36 months, the seller shall not be entitled to any consideration.

As the assets taken over and liabilities assumed of Urban Interactive at 14 July 2006 were negligible, the entire purchase consideration been accounted as a brand acquisition.

## **a. Acquisition of IBNLive.com**

On 31 July 2006, Web 18 Software Services Limited a step down subsidiary entered into an agreement to acquire the news portal business (ibnlive.com) together with the brand, domain name, assets, liabilities, contracts, employees etc for a purchase consideration of USD 38,793 (Rs. 1,691,000).

## **7. Investments pledged**

Investments of the market value of Rs 15.13 million are pledged with lenders in connection with loans to a Person included in Key Management Personnel and to an entity under significant influence .

## **8. Contingent Liabilities**

**a.** Claims against a subsidiary not acknowledged as debts include demands raised by Income Tax authorities Rs.121.41 million (Previous year Rs.62.52 million). Amounts deposited by the subsidiary against these claims - Rs.77.18 million (Previous year Rs.26.26 million). No Provision has been made in the accounts for these demands as the subsidiary expects a favourable decision in appeal.

**b.** Guarantees given by banks on behalf of the group outstanding at year end Rs. 12.63 million (Previous year Rs. 19.33 million).

**c.** Two subsidiary companies have extended corporate guarantees amounting to Rs. 50.9 million (previous year Rs. 40.9 million), in favour of ICICI Home Finance Company Limited in consideration of loan facility extended by ICICI Home Finance Company Limited to the employees of the company

**d.** TV 18 has given a corporate guarantee of Rs. 320 million (Previous year Rs. 320 million) towards fund based/non fund based credit facility given by ICICI bank to GBN.

**e.** TV 18 has extended corporate guarantees of USD 10,000,000 to Tracer Capital Partners L.P., Tracer Capital Partners QP L.P. and Tracer Capital Offshore funds for subscription of convertible securities in Web 18 Holdings Limited, a Company incorporated in Cayman Islands, an indirect subsidiary of TV18.

**f.** Guarantees given by GBN on behalf of loan taken by Jagran TV Private Limited from a bank Rs. 40.95 crore (Previous year Rs. Nil).

**g.** Estimated amounts of contracts remaining to be executed on capital account (net of advances) Rs. 13.216 million (Previous year Rs. 16.96 million).

**h.** Group companies have purchased fixed assets under the 'Export Promotion Capital Goods Scheme'. As per the terms of the license granted under the scheme, the Companies have undertaken to achieve an export commitment of **(a)** Rs. 293.66 million over a period of 8 years which expire on 8 August 2013. In the event the Company is unable to execute its export obligations the Company shall be liable to pay customs duty of Rs. 36.70 million (Previous year Rs. 36.70 million) and interest on the same at the rate of 15 per cent compounded annually. **(b)** Rs. 653.4 million over a period of 8 years commencing from 10 August, 2005. In the event the Company is unable to execute its export obligations, the Company shall be liable to pay customs duty of Rs. 8.17 crore and interest on the same at the rate of 15 per cent compounded annually.

The companies are hopeful of meeting its export obligation and accordingly no provision is required for the same.

**i.** In respect of Corporate Guarantees for Rs 1340 million given by the Parent in connection with loans to Subsidiaries.

### **9. Zero Coupon Secured Partly Convertible Debentures (ZCSPCD)**

TV 18 had during the year ended 31 March, 2003 issued 895,546 ZCSPCD of face value of Rs. 150 each for cash at par on right basis to the existing equity shareholders of the Company in the ratio of 1 ZCSPCD for every 13 equity shares held. Rs. 20 of the ZCSPCD was to be converted into two equity shares of Rs. 10 each. Accordingly the Company had allotted 1,791,092 shares to the ZCSPCD holders. The balance of Rs. 130 is being redeemed together with a premium of 25% of the value redeemed in four annual installments commencing from the end of the third year of the issue date as follows:

<b>Year</b>	<b>Principal amount per ZCSPCD</b>	<b>Principal</b>	<b>Redemption premium</b>	<b>Premium amount per ZCSPCD</b>	<b>Total redemption amount per ZCSPCD</b>
	<b>(Rs.)</b>	<b>%</b>	<b>%</b>	<b>(Rs.)</b>	<b>(Rs.)</b>
3	19.50	15	25	4.88	24.38
4	19.50	15	25	4.88	24.38
5	19.50	15	25	4.88	24.38
6	71.50	55	25	17.88	89.38
<b>Total</b>	<b>130.00</b>			<b>32.52</b>	<b>162.52</b>

The ZCSPCDs holder's interest in respect of redemption thereof, all costs, charges, expenses and other monies are secured by way of creating a first pari passu charge on the fixed assets of the Company.

The first and second installments of redemption have been paid in February 2006 and March 2007 respectively.

## **10. Secured Loans**

### **A. Cash Credit from Banks are secured by**

**a.** Facilities from Yes Bank Limited to the parent, are secured by exclusive charge over Studio 18's (i) current and movable assets (ii) Personal Guarantee of Raghav Bahl (iii) Escrow of all dividend flows from TV 18.

**b.** In case of GBN, the short term credit facility from Yes Bank is secured by (i) First exclusive charge on all the current assets of the company (ii) Unconditional and irrevocable corporate guarantee of Network 18 Fincap Limited.

**c.** In case of TV 18, Cash credit with banks are secured by (i) First charge on all current assets of the Parent on pari passu basis with consortium bankers (ii) Second charge on all fixed assets of the Parent on pari passu basis with consortium bankers (iii) Personal guarantee of the Managing Director and a relative of the Managing Director.

### **B. Term Loans from Banks**

**a.** In the case of GBN, the term loan from ICICI bank of Rs. 32 crore is secured by (i) First charge on the Company's movable assets, subject to the charges on current assets created/to be created in favour of the Company's bankers for securing borrowings for working capital requirements. (ii) Unconditional and irrevocable Personal Guarantee of a Director (iii) Letter of comfort from Television Eighteen India Limited (TV18) whereby TV18 undertakes to take all necessary steps to ensure that the Company fulfils all necessary obligations under the agreement including arrangement of funds for payment to the bank in accordance with the terms and conditions of the loan agreement.

The term loan from ICICI bank of Rs. 25 crore is secured by (i) First charge on the Company's movable fixed assets (ii) Letter of comfort from Television Eighteen India Limited for the Facility (iii) Letter of Comfort from Network 18 Fincap Limited for the Facility amount.

**b.** In the case of TV 18 and its subsidiaries, term loans from banks of Rs. 1,596.79 million are secured by (i) First charge on pari passu basis on all the Parent's, immovable and movable properties (except for the land exclusively mortgaged to the trustees of the ZCSPCDs), both present and future, save and except charges created/to be created in favour of the Parent's bankers on current assets for securing borrowings for working capital requirements. (ii) Exclusive charge on the moveable and immovable properties of all the subsidiary companies both present and future except Television Eighteen Mauritius Limited, save and except book debts subject to charges created/to be created in favour of the Parent's bankers on current assets for securing borrowings for working capital requirements. (iii) Unconditional and irrevocable personal guarantees of the Managing Director (iv) Secured Loan of a subsidiary is secured by way of first charge on all fixed and current assets of the subsidiary. The loan is additionally secured by a Corporate Guarantee from Network 18 Fincap Limited (holding company of TV 18)

The term loan outstanding at any point of time shall be additionally secured by an exclusive charge on liquid securities of the parent, amounting to 12.50% of the term loan outstanding at any point of time.

Out of abovementioned loans from banks of Rs. 1,596.79 million, a loan amounting 234.33 million is further secured by mutual fund securities of Rs.301.40 million.

**c.** In the case of Network 18 Fincap Limited all terms loans are secured by the Pledge of Investments in TV18. One Loan is additionally secured by the pledge of mutual fund investments.

**d.** Other Loans are secured by hypothecation of vehicles and other assets financed.

## **11. Unsecured Loan ( in the books of GBN)**

GBN has, during the year converted 40 million optionally fully convertible debentures of Rs. 10 each into 2,119,900 equity shares of face value Rs. 10 on 17 May, 2006. This is in pursuance of the letter dated 3 May, 2006 from the holder of the erstwhile debentures whereby consent has been given to convert all the debentures into shares at the post money valuation of the Company at Rs. 425 crore.

## **12. Investments**

### **a. Investment in B.K.Fincap Private Limited**

GBN holds 86,485 (Previous period 9,500) equity shares of BK Fincap Private Limited at the year end which were purchased at a consideration of Rs. 68.01 crores. BK Fincap Private Limited is the holding company for Jagran TV Private Limited (JTV). JTV is incurring operational losses and has accumulated losses which have resulted in the erosion of the net worth of JTV thereby resulting in a diminution in the value of the net worth of BK Fincap Private Limited.

The management of JTV has implemented plans and policies to improve its operations significantly and strengthen the financial position of the Company and its Hindi News Channel IBN 7 is gaining in ratings. Having regard to the long term and strategic involvement with JTV and based on the future operations of JTV, the management is of the view that no diminution in the value of these investments is considered necessary at this stage.

**b.** The 8% Cumulative Redeemable Non Convertible Preference Shares of Rs 100 each in BK Media Pvt Ltd are :

i) redeemable at the end of 5 years from the date of issue , unless otherwise agreed by the Company and the issuer company

ii) proposed to be secured either by a personal guarantee of the promoters or by way of a first charge on all assets created or acquired by the issuer company .

**c.** A part of the Mutual Fund Investments are pledged in connection with loans to a Director in N18 and to a entity under significant influence.

## **13. Employee Stock Option /Stock Purchase / Stock Award Plans**

### **A. In the case of TV 18**

#### **i) Television Eighteen India Limited Stock Option Plan 2002**

During the year 2002-2003 the Company had established an Employee Stock Option Plan (ESOP 2002) for compensation to its employees whereby, the Company plans to grant upto 700,000 options to eligible employees. Options granted shall vest with the grantee after one year period from the date of grant. The exercise period is two years after vesting of the options. Each option is exercisable for one equity share of Rs.5 each fully paid up on payment of offer price of Rs. 5 per share. In past, the company has granted 302,350 options (net of cancellation). During the year the company has granted 50,190 options. 50,190 options remain outstanding as unvested options on 31 March, 2007.

#### **ii) Television Eighteen India Limited Stock Option Plan 2003**

During the year 2003-2004 the Company had established an Employee Stock Option Plan (ESOP 2003) for compensation to its employees whereby, the Company plans to grant upto 700,000 options to eligible employees. The exercise price per each option shall be 95 percent of the market value on the grant date. In case of fall in market value of shares between the grant date and the date of exercise the compensation committee may reprice the options for an employee on the same principle as enunciated while ensuring that such repricing is not detrimental to the interest of the grantees. Options granted shall vest with the grantee for a period of one year from the grant. The exercise period of the options is a period of one year after the vesting of the options. In past, the Company has granted 638,309 (net of cancellations) options. There is 'Nil' options remaining outstanding as unvested on 31 March, 2007.

#### **iii) Television Eighteen India Limited Stock Purchase Plan 2003**

During the 2003-2004 the Company had established Employee stock purchase plan (ESPP 2003) for compensation to the employees whereby the Company plans to issue upto 700,000 shares to eligible employees. The offer price per share shall be 95% of the market value of the shares as at the date of the offer. The Company has issued 667,016 shares under ESPP 2003 upto 31 March, 2007. There is 'Nil' shares remaining un-issued on 31 March, 2007.

**iv) Television Eighteen India Limited Employees Stock Option Plan, 2004**

During the 2004-2005 the Company had established Employees Stock Option Plan (ESOP 2004) for compensation to the employees whereby the Company plans to grant upto 700,000 shares to eligible employees. Options granted shall vest with the grantee equally over a three years period from the date of grant. The exercise period is three years after vesting of the options. Each option is exercisable for one equity share of Rs.5/- each fully paid up on payment of offer price determined at 90% of (for 50% of the options granted) and at Rs. 125 discount per option to (for balance 50% of the options granted) market price of share determined with respect to the date of grant. In past, the company has granted 622,300 options (net of cancellation). During the year the company has granted 36,400 options. 658,700 options (net of cancellation) remain outstanding as unvested options on 31 March, 2007.

**v) Television Eighteen India Limited Senior Employees Stock Option Plan, 2004**

During the 2004-2005 the Company had established Senior Employees Stock Option Plan (Senior ESOP 2004) for compensation to the employees whereby the Company plans to grant upto 840,000 shares to eligible employees. Options granted shall vest with the grantee equally over a three years period from the date of grant. The exercise period is two years and three years after vesting of the options for one third and for remaining two third of the options respectively. Each option is exercisable for one equity share of Rs.5 each fully paid up on payment of offer price determined at 90% of (for 50% of the options granted) and at Rs. 100 discount per option to (for balance 50% of the options granted) market price of share determined with respect to the date of grant. The company has cancelled 28,000 options during the year out of 494,669 options (net of cancellation) granted in past. During the year the company has granted 233,332 options and 68,446 options were converted into 68,446 fully paid up equity shares of the Company on their being exercised. 631,555 options (net of cancellation) remain outstanding as unvested options on 31 March, 2007.

**vi) Television Eighteen India Limited Long Term Retention Employee Stock Option Plan 2005**

During the 2005-2006 the Company had established Employees stock option plan (ESOP 2005) for compensation to the employees whereby the Company plans to grant upto 350,000 shares to eligible employees. Options granted shall vest with the grantee after four years period from the date of grant. The exercise period is two years after vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer price equal to market price of share determined with respect to the date of grant. 350,000 options granted by the Company in past remain outstanding as unvested options on 31 March, 2007.

**vii) Television Eighteen India Employee Stock Option Plan 2005**

During the 2005-2006 the Company had established Employees Stock Option Plan (ESOP 2005) for compensation to the employees whereby the Company plans to grant upto 1,260,000 shares to eligible employees. Part of the options granted shall vest with the grantee for 1 year period from the date of grant and part of the options shall vest with the grantee equally over a three years period from the date of grant. The exercise period of the options is a period of one year after the vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer price at 90% of market price of share determined with respect to the date of grant. In past, the Company has granted 1,068,200 options. During the year 897,400 options were exercised and converted into 897,400 fully paid up equity shares of the Company. 170,800 options remain outstanding as unvested options on 31 March, 2007.

**viii) Television Eighteen India Strategic Acquisition Stock Option Plan 2005**

During the 2005-2006 the Company had established Strategic Acquisition Plan 2005 for compensation to the employees whereby the Company plans to grant upto 840,000 shares to eligible employees. Options granted shall vest with the grantee for one year period from the date of grant. The exercise period of the options is a period of one year after the vesting of the options. Each option is exercisable for one equity share of Rs. 5 each

fully paid up on payment of offer price of Rs. 100 per share. 280,000 options granted by the Company during the year remain outstanding as unvested options on 31 March, 2007.

**ix) Television Eighteen India Employee Stock Option Plan 2006**

During the 2006-2007 the Company had established Employees Stock Option Plan (ESOP 2006) for compensation to the employees whereby the Company plans to grant upto 1,000,000 shares to eligible employees of the Company or its subsidiaries. Options granted shall vest with the grantee for a two years period from the date of grant. The exercise period of the options is a period of one year after the vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer price of Rs. 5 per share. 226,540 options granted by the Company during the year remain outstanding as unvested options on 31 March, 2007.

**x) Television Eighteen Employee Stock Purchase Plan 2006**

Under this Plan the Company plans to grant 500,000 equity shares of Rs. 5 each to eligible employees of the Company or its subsidiaries. The offer price per share shall be 90% of the market price determined with respect to the date of grant. The Company has issued 'Nil' (net of cancellations) shares upto 31 March, 2007.

**xi) Television Eighteen Employee Stock Option Plan 2007**

During the year 2006-2007 the Company had established an Employee Stock Option Plan (ESOP A 2007) for compensation to its employees whereby, Company plans to grant upto 1,000,000 options to eligible employees of the Company and directors of the Company and its holding and subsidiary companies. Options granted shall vest with the grantee equally over a four years period from the date of grant. The exercise period of the options is a period of four years after the vesting of the options. Each option is exercisable for one equity share of Rs.5 each fully paid up on payment of offer price at 75% of market price of share determined with respect to the date of grant. The Company has granted 'Nil' (net of cancellations) options upto 31 March, 2007.

**xii) Television Eighteen Employee Stock Option Plan 2007**

During the year 2006-2007 the Company had established an Employee Stock Option Plan (ESOP B 2007) for compensation to its employees whereby, Company plans to grant upto 1,000,000 options to eligible employees of the Company and directors of the Company and its holding and subsidiary companies. Options granted shall vest with the grantee equally over a six years period from the date of grant. The exercise period of the options is a period of four years after the vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer price of Rs. 5 per share. The Company has granted 'Nil' (net of cancellations) options upto 31 March, 2007.

**xiii) Senior Employee Stock Awards (Stock Appreciation Right) Plan 2005**

During the 2005-2006 the Company had established Stock Appreciation Right Plan 2005 (Senior Employee Stock Award Plan) for compensation to the employees whereby the Company in its extraordinary general meeting held on 25 July, 2005 has approved a grant of upto 300,000 awards to eligible employees. The Company has granted 299,995 awards upto 31 March, 2007. Pursuant to the scheme, after vesting (after 1-3 years from grant date) of awards, the employees have right to receive such numbers of fully paid equity shares of Rs. 5 of the Company whose market value match with the amount of increase due to appreciation in share price during date of grant and date of exercise of the awards. During the year, the Company has issued 91,650 shares to employees on their exercising the option.

**B. In the case of Network 18 Fincap Limited**

**a. Network 18 Employees Stock Option Plan 2005 ("the ESOP 2005").**

A maximum 1,080,000 options on equity shares can be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

Fresh options granted under this plan shall carry an exercise price at a discount of 10% to the market price of the shares determined with respect to the date of grant and shall vest equally over a period of 1 year to 3 years from the date of grant.

In respect of options granted in lieu of grants under the Television Eighteen Employees Stock Option Plan 2005 (TV 18 ESOP), the options shall vest over a period of 1 to 3 years from the date of grant under the TV 18 ESOP, at an exercise price of Rs 97.31.

The company has allotted 7,69,200 shares to the Network 18 Employees Welfare Trust at Rs. 97.31 per share during the year.

**b. Network 18 Long Term Retention Employees Stock Option Plan 2005 (“the Long Term Retention ESOP 2005”).**

A maximum 3,00,000 options on equity shares can be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

Fresh options granted under this plan shall vest with the grantee at any time after the end of the 4th year from the date of grant at an exercise price equivalent to the market price as at the date of grant.

In respect of options granted in lieu of grants under the TV 18 Long Term Retention Employees Stock Option Plan 2005 (TV 18 ESOP), options shall vest at the end of the 4<sup>th</sup> year from the date of grant under the TV 18 ESOP, at an exercise price of Rs 108.13.

**c. The Network 18 Strategic Acquisition Employees Stock Option Plan 2005 (“the Strategic Acquisition ESOP 2005”).**

A maximum 720,000 options can be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

Fresh Options granted under this plan shall vest with the grantee at the end of 1 year from the date of grant at an exercise price of Rs 31.67.

In respect of options granted in lieu of grants under the TV18 Strategic ESOP 2005, options shall vest at the end of 1 year from the date of grant under that plan at an exercise price of Rs 31.67.

**d. The Network 18 Employees Stock Option Plan 2004 (“the ESOP 2004”).**

A maximum 5,73,600 options can be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

Fresh options granted under the plan shall vest at the end of 3 years from the offer date at an exercise price (a) in respect of 50 percent of the options at a discount of Rs 125 to the market price of the shares determined with respect to the date of grant; and (b) balance 50 percent of the options at a discount of 90 percent of the market price of the shares determined with respect to the date of grant.

All options granted to a grantee under this plan, in lieu of his entitlement in the TV18 ESOP 2004 Scheme shall vest with the grantee at the end of three years from the offer date under the TV18 ESOP 2004.

**e. The Network 18 Senior Employees Stock Option Plan 2004 (“the Senior ESOP 2004”).**

A maximum 6,00,000 options on equity shares to be granted under the plan, each option convertible into one equity share of Rs 5/- each at the end of vesting period.

All fresh grants under the plan shall vest (a) one third after two years from the date of grant; and (b) balance two thirds after 4 years from the grant date.

The exercise price in respect of fresh options shall be (a) in respect of 50 percent of the options at a discount of Rs 100 to the market price of the shares determined with respect to the date of grant; and (b) balance 50 percent of the options at 90 percent of the market price of the shares determined with respect to the date of grant.

In respect of grants in lieu of entitlements under the TV 18 Senior ESOP 2004 , one third of the options shall vest after two years from the offer date under the TV 18 Senior ESOP 2004 and the balance two thirds shall vest after four years from the said offer date .

The company has during the year allotted 29330 shares at Rs. 16.17 per share and 29330 shares at Rs. 43.06 per share.

**f. Network 18 Employees Stock Purchase Plan 2003 (“the ESPP 2003”)**

A maximum 28,272 options can be granted under the plan. Employees who acquire shares under ESPP 2003 would not be able to transfer such shares within one year of acquisition of such shares. Options to be granted at 95 percent of market price on date of grant of options. (Market price based on average of the two weeks high and low price of the share preceding the grant date on the Stock Exchange with highest trading volumes in that period)

**g. Network 18 Employees Stock Option Plan 2002 (“the ESOP 2002”)**

A maximum 3,22,380 options to be granted under the plan , each option convertible into one equity share of Rs 5/- each at the end of vesting period.

All fresh grants under the plan shall vest (a) in respect of 50% of the options , one year from the date of grant (b) in respect of the 50% two years from the date of grant . Options granted under this plan shall be at an exercise price of Rs 5/- per option .

In respect of grants made in lieu of grants under the TV 18 ESOP 2002, the vesting date shall ( a) in respect of 50% of the options be one year from the date of grant under the plan and (b) in respect of the other 50% of the options be two years from the date of grant at an exercise price as under having respect to the date of grant.

**h. Network 18 Employees Stock Option Plan A 2007 (“the ESOP A 2007”).**

The company can grant a maximum 1,000,000 options under this plan .Each option is convertible into one equity share of Rs. 5/- each at the end of the vesting period. Options shall vest equally over a 4 year period at an exercise price which is at a discount of 25% to the market price of the shares determined with respect to the date of grant.

**i. Network 18 Employees Stock Option Plan B 2007 (“the ESOP B 2007”)**

The company can grant a maximum of 1,000,000 options under this plan . Each option is convertible into one equity share of Rs. 5/- each at the end of the vesting period . Options shall vest after a period of 1 year from the date of grant at an exercise price of Rs 5/- .

**j. Network 18 Employees Stock Option Plan C 2007 (“the ESOP C 2007”).**

The company can grant a maximum of 1,000,000 options under this plan . Each option is convertible into one equity share of Rs 5/- each at the end of the vesting period . Options shall vest equally over a six year period with an exercise price of Rs 5/- per option .

**k . The Network 18 Stock Award Plan 2005 (“the Stock Awards Plan 2005”)**

Such number of Stock Awards as may be determined by the Compensation Committee to be granted under the plan, convertibility of Stock Awards into equity shares is governed by the plan. The Stock Awards shall vest at the end of one year based on the recommendation of Compensation Committee. Exercise price of Stock Awards shall be average of the two weeks high and low price of the share from the date of listing of shares of the Company on the Stock Exchange with highest trading volumes in that period).

The company had allotted 1,20,510 shares at Rs. 5/- per share during the year.

**14 . Earnings per share**

Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using

the weighted average number of equity shares and dilutive potential equity shares outstanding during the year. The reconciliation between basic and diluted earnings per equity share is as follows:

	Particulars	Units	Year ended 31.03.2007
a.	Net profit after tax	Rs.	(94,532,556)
b.	Weighted average of number of equity shares used in computing basic earnings per share	No. of shares	37,487,062
c.	Basic earnings per share (a/b)*	Rs.	(2.52)

\* in view of the antidilutive nature of potential equity shares , the same has been ignored

## 15. Deferred tax

Deferred tax assets and liability are being offset as they relate to taxes on income levied by the same governing taxation laws.

Break up of deferred tax assets/liabilities and reconciliation of current year deferred tax charge:

	Opening Balance	(Charged)/ Credited to General Reserve	(Charged)/ Credited to P&L	(All amounts in rupees) Closing Balance
<b>DEFERRED TAX LIABILITY</b>				
<b>Deferred Tax Liabilities</b>				
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	(134,886,546)	(482,154)	20,643,860	(114,724,840)
<b>Total (A)</b>	<b>(134,886,546)</b>	<b>(482,154)</b>	<b>20,643,860</b>	<b>(114,724,840)</b>
<b>Deferred Tax Assets</b>				
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax	3,694,049	-	11,352,580	15,046,629
Capital losses to be set off against capital gains in future years	596,715	-	(596,715)	-
Provision for doubtful debts	18,184,395	-	17,628,021	35,812,416
Brought forward business losses to be set off in future years		24,566,384	(10,249,876)	14,316,508
<b>Total (B)</b>	<b>22,475,159</b>	<b>24,566,384</b>	<b>18,134,010</b>	<b>65,175,553</b>
<b>Total (A-B)</b>	<b>(112,411,387)</b>	<b>24,084,230</b>	<b>38,777,870</b>	<b>(49,549,287)</b>

## DEFERRED TAX ASSETS

### Deferred Tax Liabilities

Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return

-	-	(748,776)	(748,776)
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### Total (C)

-	-	(748,776)	(748,776)
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### Deferred Tax Assets

Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax

67,634	-	451,183	518,817
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Provision for doubtful debts

-	-	13,216,612	13,216,612
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### Total (D)

67,634	-	13,667,795	13,735,429
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### Total (C-D)

67,634	-	12,919,019	12,986,653
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As per Accounting Standard Interpretation – 11 (ASI – 11) issued by The Institute of Chartered Accountants of India the brought forward losses arising out of the merger of the Indian News Business Undertaking have been adjusted from the general reserve.

**16. Capitalisation of borrowing costs** : Borrowing costs are net of Rs 6,872,531 ( Previous year Rs 18698486) which have been capitalised as part of projects in progress ( previous year : Fixed Assets ) , as recommended by Accounting Standard 16 issued by the Institute of Chartered Accountants of India..

**17.** Co- production contracts of Motion pictures are subject to charge created in favour of lenders by the principal producers .

### 18. Stock Option Charge in the books of N18

Pursuant to the Scheme of Arrangement , all persons entitled to Shares under various ESOP / ESPS plans of Television Eighteen India Limited , were to be compensated for dilution in their grants by issue of Equity Shares in Network 18 Fincap Limited .

A sum of Rs 97,836,059 relating to such grants and pertaining to periods before the effective date of the scheme have been adjusted directly in the opening balance of the Profit and Loss account . Proportionate costs relating to periods after the effective date are charged to the revenue in normal course.

None of the grantees are employees of the N18 .

The expense has been computed on the basis of fair market value of the Equity shares of TV 18 as on the effective date of the Scheme .

### 19. Related party disclosures

a. List of related parties

i. *Key Management Personnel*

- Raghav Bahl (Also exercises control by virtue of having a substantial interest in the voting power of the Company)
- Sanjay Ray Chaudhuri
- Vandana Malik

ii. *Relatives of Key Management Personnel*

- P.N. Bahl
- Subhash Bahl
- Ritu Kapur

iii. *Entities over which persons listed above are able to exercise significant Influence*

- RB Investments Private Limited
- Jagran TV Private Ltd
- RRB Holdings Private Limited
- RVT Holdings Private Limited
- RVT Finhold Private Limited
- RVT Fincap Private Limited
- Big Tree Entertainment Private Limited
- RRB Holdings Private Limited
- RRB Datasoft Private Limited
- RB Software Pvt Ltd
- RB Softech Private Limited
- RB Associates
- BK Media Pvt Ltd
- BK Media Mauritius Limited
- BK Fincap Pvt Ltd
- BK Enterprises Limited
- Digital 18 Media Private Limited
- VT Investments Private Limited
- SGA News Limited
- VT Holdings Private Limited
- RVT Softech Private Limited
- RK Finhold Private Limited
- Keyman Financial Services Private Limited
- TV 18 Senior Professionals Trust
- Network 18 Trust

b. Transactions / balances outstanding with Related Parties.

(Rs)	Entity Under Significant influence	Key Management Personnel	Relatives of Key Management Personnel
<b>Issue of equity shares to</b>			
Network 18 Employees Welfare Trust	4,741,850		
<b>Service income received from</b>			
SGA News Ltd	1,499,240		
<b>Redemption of preference shares held by</b>			
TV 18 Senior Professionals Trust	100,000,000		
<b>Interest received from</b>			
R B Associates	468,493		
<b>Service income received from</b>			
SGA News Ltd	116,523,711		

(Rs)	Entity Under Significant influence	Key Management Personnel	Relatives of Key Management Personnel
Jagran TV Pvt Ltd	230,363,307		
<b>Expenses incurred by the group on behalf of</b>			
SGA News Limited	34,034,241		
Jagran TV Pvt Ltd	29,092,411		
Tangerine Digital	176,000		
The Network 18 Trust	4,000		
<b>Expenses incurred on behalf of the group by</b>			
SGA News Ltd	13,576,282		
Jagran TV Pvt Ltd	2,702,760		
Raghav Bahl		262522	
<b>Fixed Assets purchased by the group by</b>			
SGA News Ltd	803,796		
<b>Expenditure for service received</b>			
Raghav Bahl		5,925,758	
Sanjay Ray Chaudhuri		4,388,000	
Ritu Kapur			1,327,500
<b>Sale of investments to</b>			
RB Softech Private Ltd ( investment in SGA Media Inc – at book value)	-		
RRB Holdings Pvt Ltd ( investment in SGA News Limited – at book value)	15,538,592		
TV 18 Senior Professionals Trust ( investment in RRB Holdings P Ltd- at book value)	15,538,592		
<b>Share Application money paid to</b>			
B K Fincap Pvt Ltd	1,150,00,000		
<b>Investments made in</b>			
B K Media Pvt Ltd	250,000,000		
RVT Investments P Ltd (purchased from Raghav Bahl/ Ritu Kapoor)		100,000	
RRB Holdings Pvt Ltd	15,538,592		
<b>Loan extended to</b>			
RRB Holdings Pvt Ltd	85,461,408		
R B Associates	10,000,000		
<b>Loan returned by</b>			
RRB Holdings Pvt Ltd	85,461,408		

(Rs)	Entity Under Significant influence	Key Management Personnel	Relatives of Key Management Personnel
R B Associates	10,000,000		
<b>Balances outstanding at the end of the year (Amounts due to)</b>			
Raghav Bahl		262,522	
<b>Balances outstanding at the end of the year (Amounts due from )</b>			
SGA News Ltd	95,689,331		
Jagran TV Pvt Ltd	12,130,965		
Jagran TV Pvt Ltd ( Loan)	38,308,501		
BK Fincap Pvt Ltd ( Share Application money)	1,150,00,000		
Tangerine Digital Pvt Ltd	176,000		
Network 18 Trust	4,000		

**20 .** This being the first year of consolidation for the group, there are no previous year figures to report. For the same reason , cash flow statement has not been prepared .

**21.** In respect of N18's proposal to transfer its Film Business to MTV, since the no binding agreement has been entered into and the proposal is not yet ratified by the Board of Directors, disclosures required under Accounting Standard 24 have not been made.

**22.** The group is engaged in the media business and related operations, primarily in India. As the group operates in a single business and geographical segment , the reporting requirements prescribed by Paragraphs 39 to 51 of the Accounting Standard 17 on Segment reporting , have not been provided in these financial statements.

### **23 . Leases**

**a)** N18 and its subsidiaries have taken various office premises under operating lease agreements. These are generally non cancelable and are renewable by mutual consent on mutually agreed terms.

**b)** Lease payments for the year : Rs. 40,90,480

**c)** The future minimum lease payments under non-cancelable operating leases are :

Not later than one year	Rs 32,836,240
Later than one year but not later than five years	Rs 83,792,665
Later than five years	Rs 147,522

**24.** These accounts have not been subject to any adjustments e here that no adjustments have been made to the financial information above as required for presentation in an offer document and we are unable to confirm its appropriateness, completeness or the manner / context of its presentation in the said offer document.

**AUDITED RESTATED FINANCIAL STATEMENTS OF THE PRINCIPAL SUBSIDIARIES**

**TELEVISION EIGHTEEN INDIA LIMITED**

**AUDITOR'S REPORT**

We have examined the attached Statement of Assets and Liabilities, the Statement of Income and expenses and the Statement of Cash flows together with the notes thereon (hereinafter referred to as the Condensed Financial Information) of Television Eighteen India Limited as at and for the years ended on 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004, 31 March 2003 and 31 March 2002.

Based on our examination as aforesaid, we confirm that the information provided in the Condensed Financial Information as set out above has been correctly extracted from the audited financial statements for the years ended on 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004, 31 March 2003 and 31 March 2002.

This report is being issued by us for the purpose of incorporating the same in the Placement Document in connection with the Rights Issue of Partly Convertible Preference Shares of Network18 Fincap Limited, (the holding company of Television Eighteen India Limited), as per SEBI (Disclosure & Investor Protection) Guidelines, 2000.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**JITENDRA AGARWAL**  
Partner  
Membership No. 87104

New Delhi  
18 Sep 2007

**TELEVISION EIGHTEEN INDIA LIMITED**  
**BALANCE SHEET**

SOURCES OF FUNDS	(Rs. in lacs)				
	As at 31.3.2007 (Audited)	As at 31.03.2006 (Audited)	As at 31.3.2005 (Audited)	As at 31.03.2004 (Audited)	As at 31.3.2003 (Audited)
<b>1. SHAREHOLDERS' FUNDS</b>					
a. Share capital	2,828.06	2,104.32	1,690.24	1,492.57	1,164.21
b. Reserves & surplus	24,206.36	19,597.70	9,254.66	4,762.17	8,983.27
<b>2. LOAN FUNDS</b>					
a. Secured Loans	20,340.52	10,514.43	7,593.87	4,278.51	1,765.18
b. Unsecured loans	10,851.42	8,002.16	1,940.01	892.72	-
<b>3. DEFERRED TAX LIABILITY</b>	495.49	1,115.06	37.66	317.51	-
	<b>58,721.85</b>	<b>41,333.67</b>	<b>20,516.44</b>	<b>11,743.48</b>	<b>11,912.66</b>
<b>APPLICATION OF FUNDS</b>					
<b>4. FIXED ASSETS</b>					
a. Gross block	13,513.56	10,896.80	8,203.40	3,762.67	2,726.38
b. Less: Depreciation	4,416.11	2,517.03	1,867.69	1,014.27	737.32
c. Net block	9,097.45	8,379.77	6,335.71	2,748.40	1,989.06
<b>5. INVESTMENTS</b>	21,497.23	20,506.11	10,290.50	5,441.80	6,396.26
<b>6. CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
a. Inventories	56.52	50.79	44.44	187.26	58.65
b. Sundry debtors	12,849.33	8,088.17	4,364.64	2,810.42	2,204.88
c. Cash & bank balances	14,472.09	3,317.75	607.12	471.11	376.30
d. Loans & advances	9,225.49	7,150.21	2,493.75	1,441.04	1,970.86
	36,603.43	18,606.92	7,509.95	4,909.83	4,610.69
<b>7. LESS: CURRENT LIABILITIES AND PROVISIONS</b>	8,567.58	6,299.42	3,808.99	1,598.84	1,446.18
<b>8. NET CURRENT ASSETS</b>	28,035.85	12,307.50	3,700.96	3,310.99	3,164.51
<b>9. MISCELLANEOUS EXPENDITURE</b> (To the extent not written)	91.32	140.29	189.27	242.29	295.31

off or adjusted)

	<u>58,721.85</u>	<u>41,333.67</u>	<u>20,516.44</u>	<u>11,743.48</u>	<u>11,912.66</u>
As per our report of even date attached For <b>DELOITTE</b> <b>HASKINS &amp; SELLS</b> Chartered Accountants				<b>For and on behalf of the Company</b>	

**JITENDRA**  
**AGARWAL**  
Partner  
Membership No. 87104

**SANJAY RAY CHAUDHURI**  
Whole time Director

New Delhi  
18-Sep-2007

Noida

**TELEVISION EIGHTEEN INDIA LIMITED**

**PROFIT AND LOSS ACCOUNT**

(Rs. in lacs)

	<b>Year Ended 31.3.2007 (Audited)</b>	<b>Year Ended 31.03.2006 (Audited)</b>	<b>Year Ended 31.3.2005 (Audited)</b>	<b>Year Ended 31.03.2004 (Audited)</b>	<b>Year Ended 31.3.2003 (Audited)</b>
<b>1. INCOME</b>					
a. Income from operations	19,395.53	12,709.77	8,144.69	4,312.36	2,977.99
b. Other income	778.87	468.45	203.68	141.80	204.73
	<b>20,174.40</b>	<b>13,178.22</b>	<b>8,348.37</b>	<b>4,454.16</b>	<b>3,182.72</b>
<b>2. EXPENDITURE</b>					
a. Production, administrative and other costs	9,536.71	5,134.46	3,461.37	3,164.57	2,326.45
b. Personnel expenses	4,467.26	2,375.20	1,310.57	786.42	815.04
c. Interest and financial charges	2,367.71	1,198.42	612.79	332.78	265.25
d. Depreciation (Increase) / Decrease	1,747.65	1,304.53	913.78	289.12	251.77
e. in stocks	-	-	166.37	(117.15)	(49.22)
f. Loss on Sale of long term investment	374.85	-	-	-	-
	<b>18,494.18</b>	<b>10,012.61</b>	<b>6,464.88</b>	<b>4,455.74</b>	<b>3,609.29</b>
<b>3. Profit before tax</b>	<b>1,680.22</b>	<b>3,165.61</b>	<b>1,883.49</b>	<b>(1.58)</b>	<b>(426.57)</b>
<b>4. Provision for Tax ( Net of write back )</b>	<b>(70.85)</b>	<b>1,215.97</b>	<b>(65.31)</b>	<b>391.54</b>	<b>(293.32)</b>
<b>5. Profit/ (Loss) after tax available for appropriation</b>	<b>1,751.07</b>	<b>1,949.64</b>	<b>1,948.80</b>	<b>(393.12)</b>	<b>(133.25)</b>

As per our report of even date attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Company

**JITENDRA AGARWAL**  
Partner  
Membership No. 87104

New Delhi  
18-Sep-2007

**SANJAY RAY**  
**CHAUDHURI**  
Director

Noida

**TELEVISION EIGHTEEN INDIA LIMITED**

**CASH FLOW STATEMENT**

	(Rs. in lacs)				
	Year Ended 31.3.2007	Year Ended 31.03.2006	Year Ended 31.3.2005	Year Ended 31.03.2004	Year Ended 31.3.2003
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before tax	1,680.22	3,165.61	1,883.49	(1.58)	(426.57)
Adjustments for :					
Depreciation	1,747.65	1,304.53	913.78	289.12	251.77
Loss on sale/disposal of assets	10.63	20.01	10.93	12.64	61.34
Non cash write offs	0.44	48.32	162.53	548.83	11.05
Employee stock compensation expenses	1,109.69	575.49	171.76	82.84	31.58
Finance expenses	2,367.71	1,198.42	612.79	332.78	265.25
Provision for doubtful debts	357.99	182.27	-	40.00	825.00
Foreign exchange loss / (gain)	80.50	3.00	(1.26)	242.00	139.99
Dividend received	(312.00)	(247.98)	(118.35)	(74.77)	(0.01)
Loss/(profit) on sale of short term investments	(34.83)	0.52	(1.25)	(0.99)	(77.24)
Provisions written back	(62.39)	(2.09)	-	(7.69)	-
Interest received	(368.82)	(210.55)	(35.37)	(37.09)	(73.63)
Loss/(profit) on sale of long term investments	374.85	-	-	-	-
Operating profit before working capital changes	6,951.64	6,037.55	3,599.05	1,426.09	1,008.53
Adjustments for :					
Decrease/(Increase) in Current assets	(5,690.59)	(6,394.57)	(2,594.75)	(2,295.88)	2,698.53
Increase/(Decrease) in Current liabilities	(919.62)	1,840.85	1,804.54	156.08	174.24
Dividend paid for previous years	-	-	-	0.09	0.43
Cash generated from/ (used in) operations	341.43	1,483.83	2,808.84	(713.61)	3,881.72
Tax on operational income (including Fringe benefit tax)	(843.29)	(301.30)	(110.85)	(61.28)	131.70
Net cash from/ (used in) operating activities	<b>(501.86)</b>	<b>1,182.53</b>	<b>2,697.99</b>	<b>(774.89)</b>	<b>4,013.42</b>

**B. CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of fixed assets

(including Capital Advances)	(2,047.16)	(3,407.84)	(4,791.08)	(1,106.52)	(191.07)
Sale of assets/claim received	29.62	20.67	228.82	13.82	238.07
Investments					
- in subsidiary	(4,981.60)	(1,970.00)	(99.88)	2,217.65	(3,970.34)
- in affiliates	-	(5,086.50)	(2,500.00)	(2,630.50)	696.88
- Mutual funds and others (net)	(10,130.69)	(4,780.90)	(2,247.56)	-	-
Sale of investments in subsidiaries	81.86	-	-	-	-
Loan from/(to) subsidiary	(620.36)	(269.54)	134.95	(2,716.90)	(229.49)
Interest income	329.97	196.30	35.37	48.21	73.63
Dividend received	312.00	247.98	118.35	74.77	0.01
Net cash from/ (used in) investing activities	<b>(17,026.36)</b>	<b>(15,049.83)</b>	<b>(9,121.04)</b>	<b>(4,099.47)</b>	<b>(3,382.31)</b>

### C. CASH FLOW FROM FINANCING ACTIVITIES

Share application money received / (refunded)	-	(0.05)	(2.25)	(3.41)
Dividend paid	(1,887.65)	(191.11)	(190.27)	(0.43)
Interest expenses	(2,270.84)	(1,127.56)	(612.79)	(332.78)
Proceeds from issue of equity shares	20,918.17	7,861.96	3,121.21	1,731.01
Proceeds from rights issue of ZCSPCD	-	-	1.20	670.46
Expenses incurred on rights issue of ZCSPCD	-	(121.70)	-	(59.44)
Redemption of ZCSPCD	(218.33)	(174.63)	-	-
Increase / (Decrease) in loans	12,905.73	10,209.29	4,361.45	2,902.83
Demerger expenses	(764.50)			
Net cash from/ (used in) financing activities	<b>28,682.58</b>	<b>16,577.95</b>	<b>6,559.06</b>	<b>4,969.18</b>
Net increase/ (decrease) in cash and cash equivalents	11,154.34	2,710.63	136.02	94.81
Cash and cash equivalents as at the beginning of the year	3,317.75	607.12	471.11	376.30
Cash and cash equivalents as at the end of the year	<b>14,472.09</b>	<b>3,317.75</b>	<b>607.12</b>	<b>471.11</b>
As per our report of even date attached				

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**JITENDRA AGARWAL**

Partner

Membership No. 87104

New Delhi

18-Sep-2007

## TELEVISION EIGHTEEN INDIA LIMITED

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### NOTES FORMING PART OF THE ACCOUNTS

#### 1. Significant Accounting Policies

These financial statements have been prepared in accordance with the Accounting Standards as prescribed by the Institute of Chartered Accountants of India and referred to in section 211(3)(c) of the Companies Act 1956. The significant accounting policies adopted in presentation of the accounts are:

##### a. Basis of Accounting

These accounts are prepared on the historical cost convention and on the mercantile basis.

##### b. Use of estimates

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of income and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialised.

##### c. Revenue Recognition

- i. Advertisement revenue comprises:
  - Revenue from sale of advertising time, which is recognised on the accrual basis when advertisements are telecast in accordance with contractual obligations.
  - Revenues from sponsorship contracts, which is recognised proportionately over the term of the sponsorship.
- ii. Subscription revenue is recognised on accrual basis in accordance with the terms of the contract with the distribution and collection agency.
- iii. Program revenues are accounted for on dispatch of programs to customers in accordance with contractual commitments.
- iv. Equipment rental is accounted for on the accrual basis for the period of use of equipment by the customers.
- v. Dividends on investments are accounted for when the right to receive dividend is established.

##### d. Fixed Assets

Fixed assets are stated at their original cost of acquisition/installation less depreciation. All direct expenses attributable to acquisition/installation of assets are capitalised.

##### e. Depreciation

Depreciation on all assets other than improvement to leasehold properties and computer software and distribution equipment is charged on straight line basis over the estimated useful lives using rates (including double/ triple shift depreciation rates wherever applicable) prescribed by Schedule XIV of the Companies Act, 1956.

Cost of improvements to leasehold premises is being amortised over the period of lease of the premises. Computer software and distribution equipment are being depreciated over a period of 5

years and 8 years respectively. These rates are higher than those prescribed in Schedule XIV of the Companies Act, 1956.

News Archives are depreciated on straight line basis at the rate of 4.75% per annum. Useful life of News Archives is estimated for a period longer than 10 years as the contents of the same are continuously used in day to day programming and hence the economic benefits from the same arise in a period longer than 10 years.

Depreciation on additions is charged proportionately from the date of acquisition/ installation. Assets costing less than Rs. 5,000 individually have been fully depreciated in the year of purchase.

**f. Impairment of assets**

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognised immediately as income in the profit and loss account.

**g. Investments**

Long term investments are stated at cost less other than temporary diminution in the value of such investments. Current investments are carried forward at lower of cost or fair value.

**h. Inventory Valuation**

Inventories include raw material, work in progress and completed/pilot programmes. Raw materials comprise stocks of used and unused tapes and compact discs, and are valued at cost on FIFO basis. Stocks of tapes are written off over the useful life of these tapes which is estimated at three years.

**i. Miscellaneous Expenditure**

i. Preliminary expenses

Preliminary expenses incurred till 31 March, 2003 are amortised over a period of 10 years.

ii. Premium on redemption of debentures

Premium on redemption of debentures is written off over the term of the debentures. (See also note 3 below)

**j. Foreign Currency Translation**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date. Exchange differences on foreign exchange transactions are recognised in the profit and loss account.

**k. Employee Benefits**

i. Company's contribution to the Employees' Provident Fund is charged to the profit and loss account each year.

- ii. Gratuity to employees is based on the Group Gratuity Scheme of an insurer. The liability at the year end is provided for on the basis of actuarial valuation.
- iii. Long term compensated absences are provided for on the basis of an actuarial valuation.

However the accounting policy for the retirement benefits was changed with effect from accounting year beginning 1 April, 2006. the changed policy is as under:

- i. Company's contribution to the Employees' Provident Fund is charged to the profit and loss account each year.
- ii. Short term employee benefits (Medical, Leave travel allowance, etc.) expected to be paid in exchange for the services rendered is recognised on undiscounted basis
- iii. Gratuity to employees is based on the Group Gratuity Scheme of an insurer. The liability at the year end is provided for on the basis of actuarial valuation using projected unit credit method (PUCM).
- iv. Long term compensated absences are provided for on the basis of an actuarial valuation using projected unit credit method (PUCM).

#### **l. Provision for Income Tax**

Income tax comprises current tax and deferred tax. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences, subject to the consideration of prudence.

Deferred tax assets and liabilities are measured using the tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets on unabsorbed depreciation and carry forward of losses are not recognised unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

#### **m. Earnings Per Share**

The Company reports basic and diluted earnings per equity share in accordance with AS-20, Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

#### **n. Employee Stock Option Scheme**

Stock options granted to the employees under the stock options schemes are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India. Accordingly, the excess of market value (i.e. price based on average of the two weeks high and low price of the share preceding the grant date of options) over the exercise price of the options is recognized as deferred employee compensation and is charged to the profit and loss account on straight line basis over the vesting period of the options. The amortised portion of the cost is shown under reserves and surplus.

#### **o. Employee Stock Purchase Scheme**

Shares issued under the stock purchase schemes are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India. Accordingly, the excess of market value (i.e. price based on average of the two weeks high and low price of the share preceding the grant date of options) over the issue price of the shares is recognized as employee compensation and is charged to the profit and loss account, on the date of the issue of shares to the employees.

**p. Employee Stock Award Scheme**

Awards granted under the stock award scheme as per accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India. Accordingly, the excess of market value of the share price as at the balance sheet date over the market value on the date of grant of Awards are recognized as deferred employee compensation and is charged to the profit and loss account on straight line basis over the vesting period of the Awards. The deferred employee compensation is adjusted for change in market value at each balance sheet date.

**2. Contingent Liabilities**

Sr. No.	Particulars	(Rs. in millions)				
		31 March 2007	31 March 2006	31 March 2005	31 March 2004	31 March 2003
1.	Claims against the Company not acknowledged as debts include demands raised by Income Tax authorities	121.41	62.52	25.73	29.54	51.56
2.	Guarantees given by banks on behalf of the Company	4.46	11.16	11.16	11.16	45.25
3.	Corporate guarantees extended to financial institutions for loans extended by them to the Company's employees	50.90	40.90	-	-	-
4.	Corporate guarantees extended to financial institutions for loans extended by them to related parties	770.00	320.00	-	-	-
5.	Liability of the Company in the event of its not meeting export obligations under the EPCG scheme	36.70	36.70	0.33	2.44	-

**3. Zero Coupon Secured Partly Convertible Debentures (ZCSPCD)**

The Company had during the year ended 31 March, 2003 issued 895,546 ZCSPCD of face value of Rs. 150 each for cash at par on right basis to the existing equity shareholders of the Company in the ratio of 1 ZCSPCD for every 13 equity shares held. Rs. 20 of the ZCSPCD was to be converted into two equity shares of Rs. 10 each. Accordingly the Company had allotted 1,791,092 shares to the ZCSPCD holders. The balance of Rs. 130 is being redeemed together with a premium of 25% of the value redeemed in four annual installments commencing from the end of the third year of the issue date as follows:

Year	Principal amount per ZCSPCD	Principal	Redemption premium	Premium amount per ZCSPCD	Total redemption amount per ZCSPCD
	(Rs.)	%	%	(Rs.)	(Rs.)
3	19.50	15	25	4.88	24.38
4	19.50	15	25	4.88	24.38
5	19.50	15	25	4.88	24.38
6	71.50	55	25	17.88	89.38
Total	130.00			32.52	162.52

The ZCSPCDs holder's interest in respect of redemption thereof, all costs, charges, expenses and other monies are secured by way of creating a first pari passu charge on the fixed assets of the Company

The first and second installments of redemption have been paid in February 2006 and March 2007 respectively.

#### **4. Secured Loans**

- a.** Cash credit with banks are secured by:
- i. First charge on all current assets of the Company on pari passu basis with consortium bankers.
  - ii. Second charge on all fixed assets of the Company on pari passu basis with consortium bankers.
  - iii. Personal guarantee of the Managing Director and a relative of the Managing Director.
- b.** The term loans from banks of Rs. 1,496.79 million are secured by
- i. First charge on pari passu basis on all the Company's, immovable and movable properties (except for the land exclusively mortgaged to the trustees of the ZCSPCDs), both present and future, save and except charges created/to be created in favour of the Company's bankers on current assets for securing borrowings for working capital requirements.
  - ii. Exclusive charge on the moveable and immovable properties of all the subsidiary companies both present and future except Television Eighteen Mauritius Limited, save and except book debts subject to charges created/to be created in favour of the Company's bankers on current assets for securing borrowings for working capital requirements.
  - iii. Unconditional and irrevocable personal guarantees of the Managing Director.

The term loan outstanding at any point of time shall be additionally secured by an exclusive charge on liquid securities of the company, amounting to 12.50% of the term loan outstanding at any point of time.

Of the above loans, a loan amounting to Rs. 234.33 million is further secured by mutual fund securities of Rs. 301.40 million.

- c.** Other loans from banks and others are secured by hypothecation of vehicles and other assets financed.

#### **5. Scheme of Restructuring**

The Company's Scheme of Arrangement and Restructure (Scheme) to:

- demerge Media Investment Undertaking of Television Eighteen India Limited to Network 18 Fincap Limited (Formerly, SGA Finance & Management Services Private Limited);
- merge Indian News Business Undertaking of SGA News Limited (SGA); and
- reduce Share Capital of the Company

was approved by the Hon'ble High Court of Delhi on 20 July, 2006 and is effective from 1 October 2005.

##### **a. Demerger of Media Investment Undertaking**

- i. On the scheme becoming effective, the following assets of the company have been transferred to Network 18 Fincap Limited at book values:

<b>Particulars</b>	<b>(Rupees millions)</b> <b>Amount transferred by the Company</b>
1. Equity Shares –SGA News Limited	391.00
2. Equity Shares – SRH Broadcast News Holding (P) Limited	197.00
3. Preference Shares – Network 18 Fin cap (P) Limited	201.50
4. Share Application Money-TV18 Holdings Limited, Caymans Island	67.90
5. Cash & Cash Equivalents	664.32
<b>Total</b>	<b>1,521.72</b>

The break up of investments actually transferred to Network 18 is different from the investments as approved by the High Court vide its order. However the total amount of the investments transferred is the same.

- ii. As per the scheme of restructuring, during the intervening period, TV18 shall be deemed to have been carrying on all business and activities relating to the Demerged Undertaking on behalf of Network 18 and all profits accruing to the Transferor Company, or losses arising or incurred by them relating to the Demerged Undertaking shall be treated as the profits or losses of the Network 18.
- iii. The Company has earned dividends on aforesaid investments aggregating to Rs. 26.33 million during the period starting from appointed date and ending on effective date. Out of Rs. 26.33 million, Rs. 13.81 million of dividend income pertaining to the period starting from appointed date and ending on 31 March, 2006 has been adjusted from the debit balance of profit and loss account. The remaining has been adjusted from current period's profit and loss account.
- iv. Pursuant to scheme of arrangement, each fully paid up equity shares of Rs. 10 of the Company were split into 2 fully paid up equity shares of Rs. 5 and the capital of the Company was reduced by 30% amounting to Rs. 63,129,670. The shareholding in TV18 is re-organized and bifurcated as follows in respect of every 10 equity shares of face value of Rs 10 each in TV18:
  - 14 equity shares of face value Rs 5 each in TV18, and
  - 12 equity shares of face value Rs 5 each in Network 18

Consequently, the Company has issued 8,417,290 shares to existing shareholders

#### **b. Merger of Indian Business News Undertaking**

- i. On the scheme becoming effective, the following assets and liabilities of SGA have been transferred to the company at book value:

<b>Particulars</b>	<b>(Rupees in million)</b> <b>Assets /(liabilities) as on effective date</b>
1. Fixed Assets	52.95
2. Investments	88.76
3. Debtors	142.38
4. Other Current Assets	27.04
<b>Total (A)</b>	<b>311.13</b>
5. Share Applicable Money received from TV18	166.15

Particulars	Assets /(liabilities) as on effective date
6. Liabilities as per scheme	296.97
<b>Total (B)</b>	<b>463.12</b>
<b>Net Assets(A-B)</b>	<b>(151.99)</b>

- ii. As per the scheme of restructuring, during the intervening period, SGA shall be deemed to have been carrying on all business and activities relating to the demerged Undertaking on behalf of TV 18 and all profits accruing to the Transferor Company, or losses arising or incurred by them relating to the demerged undertaking shall be treated as the profits or losses of TV 18.
- iii. Debit balance of profit and loss account of Rs. 104.86 million of merged entity as on 31 March, 2006 has been adjusted from profit and loss account.
- iv. In consonance to the restructuring scheme, the Company had issued 22,966,207 shares to the Shareholders of SGA News Limited in the ratio of 3.67 equity shares of face value of Rs 5 each for every one equity share of face value of Rs 10 each held by the shareholders of the SGA News Limited in that company.

#### 6. Demerging Operations

For the scheme of demerger described in note 7 (a), the requisite disclosures in accordance with Accounting Standard 24 issued by Institute of Chartered Accountants of India are as follows:

##### a. Carrying Amount of assets transferred/to be transferred to Network 18

Particulars	Year ended 31.03.07	(Rs. in millions)
		Year ended 31.03.06
1. Investment in Equity shares of SRH Broadcast News Holdings Private Limited	197.00	197.00
2. Investment in Equity shares of SGA News Limited	391.00	391.00
3. Investment in Preference shares of Network 18	201.50	201.50
4. Share application money paid to TV18 Holdings Limited, Caymans Island	67.90	67.90
5. Cash and cash equivalents (including investments in mutual funds)**	664.32	664.32
<b>Total</b>	<b>1,521.72</b>	<b>1,521.72</b>

##### b. Revenue and expenses of continuing and demerging operations

Particulars	(Rs. in millions)			
	Continuing operations		Demerging operations	
	Year ended 31.03.07	Year ended 31.03.06	Year ended 31.03.07	Year ended 31.03.06
Income (A)	2,017.44	1297.54	-	20.28
Expenditure (B)	1,849.42	1001.26	-	-
Profit before tax (C=A-B)	168.02	296.28	-	20.28

Provision for tax (D)	(7.09)	121.59	-	-
<b>Profit after tax (E=C-D)</b>	<b>175.11</b>	<b>174.68</b>	<b>-</b>	<b>20.28</b>

**c. Cash flows from continuing and demerging operations**

Particulars	(Rs. in millions)			
	Continuing operations		Demerging operations	
	Year ended 31.03.07	Year ended 31.03.06	Year ended 31.03.07	Year ended 31.03.06
Net cash from/ (used in) operating activities	(50.19)	118.25	-	-
Net cash from/ (used in) investing activities	(1,702.64)	(1,525.26)	-	20.28
Net cash from/ (used in) financing activities	2,868.26	1,657.79	-	-
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>1,115.43</b>	<b>250.78</b>	<b>-</b>	<b>20.28</b>

**7. Employee Stock Option and Stock Purchase Plan**

**a. Television Eighteen India Limited Stock Option Plan 2002**

During the year 2002-2003 the Company had established an Employee Stock Option Plan (ESOP 2002) for compensation to its employees whereby, the Company plans to grant upto 700,000 options to eligible employees. Options granted shall vest with the grantee after one year period from the date of grant. The exercise period is two years after vesting of the options. Each option is exercisable for one equity share of Rs.5 each fully paid up on payment of offer price of Rs. 5 per share. In past, the company has granted 302,350 options (net of cancellation). During the year the company has granted 50,190 options. 50,190 options remain outstanding as unvested options on 31 March, 2007.

**b. Television Eighteen India Limited Stock Option Plan 2003**

During the year 2003-2004 the Company had established an Employee Stock Option Plan (ESOP 2003) for compensation to its employees whereby, the Company plans to grant upto 700,000 options to eligible employees. The exercise price per each option shall be 95 percent of the market value on the grant date. In case of fall in market value of shares between the grant date and the date of exercise the compensation committee may reprice the options for an employee on the same principle as enunciated while ensuring that such repricing is not detrimental to the interest of the grantees. Options granted shall vest with the grantee for a period of one year from the grant. The exercise period of the options is a period of one year after the vesting of the options. In past, the Company has granted 638,309 (net of cancellations) options. There is 'Nil' options remaining outstanding as unvested on 31 March, 2007.

**c. Television Eighteen India Limited stock purchase Plan 2003**

During the 2003-2004 the Company had established Employee stock purchase plan (ESPP 2003) for compensation to the employees whereby the Company plans to issue upto 700,000 shares to eligible employees. The offer price per share shall be 95% of the market value of the shares as at the date of the offer. The Company has issued 667,016 shares under ESPP 2003 upto 31 March, 2007. There is 'Nil' shares remaining un-issued on 31 March, 2007.

**d. Television Eighteen India Limited Employees Stock Option Plan, 2004**

During the 2004-2005 the Company had established Employees Stock Option Plan (ESOP 2004) for compensation to the employees whereby the Company plans to grant upto 700,000 shares to eligible employees. Options granted shall vest with the grantee equally over a three years period from the date of grant. The exercise period is three years after vesting of the options. Each option is exercisable for one equity share of Rs.5/- each fully paid up on payment of offer price determined at 90% of (for 50% of the options granted) and at Rs. 125 discount per option to (for balance 50% of the options granted) market price of share determined with respect to the date of grant. In past, the company has granted 622,300 options (net of cancellation). During the year the company has granted 36,400 options. 658,700 options (net of cancellation) remain outstanding as unvested options on 31 March, 2007.

**e. Television Eighteen India Limited Senior Employees Stock Option Plan, 2004**

During the 2004-2005 the Company had established Senior Employees Stock Option Plan (Senior ESOP 2004) for compensation to the employees whereby the Company plans to grant upto 840,000 shares to eligible employees. Options granted shall vest with the grantee equally over a three years period from the date of grant. The exercise period is two years and three years after vesting of the options for one third and for remaining two third of the options respectively. Each option is exercisable for one equity share of Rs.5 each fully paid up on payment of offer price determined at 90% of (for 50% of the options granted) and at Rs. 100 discount per option to (for balance 50% of the options granted) market price of share determined with respect to the date of grant. The company has cancelled 28,000 options during the year out of 494,669 options (net of cancellation) granted in past. During the year the company has granted 233,332 options and 68,446 options were converted into 68,446 fully paid up equity shares of the Company on their being exercised. 631,555 options (net of cancellation) remain outstanding as unvested options on 31 March, 2007.

**f. Television Eighteen India Limited Long Term Retention Employee Stock Option Plan 2005**

During the 2005-2006 the Company had established Employees stock option plan (ESOP 2005) for compensation to the employees whereby the Company plans to grant upto 350,000 shares to eligible employees. Options granted shall vest with the grantee after four years period from the date of grant. The exercise period is two years after vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer price equal to market price of share determined with respect to the date of grant. 350,000 options granted by the Company in past remain outstanding as unvested options on 31 March, 2007.

**g. Television Eighteen India Employee Stock Option Plan 2005**

During the 2005-2006 the Company had established Employees Stock Option Plan (ESOP 2005) for compensation to the employees whereby the Company plans to grant upto 1,260,000 shares to eligible employees. Part of the options granted shall vest with the grantee for 1 year period from the date of grant and part of the options shall vest with the grantee equally over a three years period from the date of grant. The exercise period of the options is a period of one year after the vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer price at 90% of market price of share determined with respect to the date of grant. In past, the Company has granted 1,068,200 options. During the year 897,400 options were exercised and converted into 897,400 fully paid up equity shares of the Company. 170,800 options remain outstanding as unvested options on 31 March, 2007.

**h. Television Eighteen India Strategic Acquisition Stock Option Plan 2005**

During the 2005-2006 the Company had established Strategic Acquisition Plan 2005 for compensation to the employees whereby the Company plans to grant upto 840,000 shares to eligible employees. Options granted shall vest with the grantee for one year period from the date of grant. The exercise period of the options is a period of one year after the vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer

price of Rs. 100 per share. 280,000 options granted by the Company during the year remain outstanding as unvested options on 31 March, 2007.

**i. Television Eighteen India Employee Stock Option Plan 2006**

During the 2006-2007 the Company had established Employees Stock Option Plan (ESOP 2006) for compensation to the employees whereby the Company plans to grant upto 1,000,000 shares to eligible employees of the Company or its subsidiaries. Options granted shall vest with the grantee for a two years period from the date of grant. The exercise period of the options is a period of one year after the vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer price of Rs. 5 per share. 226,540 options granted by the Company during the year remain outstanding as unvested options on 31 March, 2007.

**j. Television Eighteen Employee Stock Purchase Plan 2006**

Under this Plan the Company plans to grant 500,000 equity shares of Rs. 5 each to eligible employees of the Company or its subsidiaries. The offer price per share shall be 90% of the market price determined with respect to the date of grant. The Company has issued 'Nil' (net of cancellations) shares upto 31 March, 2007.

**k. Television Eighteen Employee Stock Option Plan 2007**

During the year 2006-2007 the Company had established an Employee Stock Option Plan (ESOP A 2007) for compensation to its employees whereby, Company plans to grant upto 1,000,000 options to eligible employees of the Company and directors of the Company and its holding and subsidiary companies. Options granted shall vest with the grantee equally over a four years period from the date of grant. The exercise period of the options is a period of four years after the vesting of the options. Each option is exercisable for one equity share of Rs.5 each fully paid up on payment of offer price at 75% of market price of share determined with respect to the date of grant. The Company has granted 'Nil' (net of cancellations) options upto 31 March, 2007.

**l. Television Eighteen Employee Stock Option Plan 2007**

During the year 2006-2007 the Company had established an Employee Stock Option Plan (ESOP B 2007) for compensation to its employees whereby, Company plans to grant upto 1,000,000 options to eligible employees of the Company and directors of the Company and its holding and subsidiary companies. Options granted shall vest with the grantee equally over a six years period from the date of grant. The exercise period of the options is a period of four years after the vesting of the options. Each option is exercisable for one equity share of Rs. 5 each fully paid up on payment of offer price of Rs. 5 per share. The Company has granted 'Nil' (net of cancellations) options upto 31 March, 2007.

**8. Senior Employee Stock Awards (Stock Appreciation Right) Plan 2005**

During the 2005-2006 the Company had established Stock Appreciation Right Plan 2005 (Senior Employee Stock Award Plan) for compensation to the employees whereby the Company in its extraordinary general meeting held on 25 July, 2005 has approved a grant of upto 300,000 awards to eligible employees. The Company has granted 299,995 awards upto 31 March, 2007. Pursuant to the scheme, after vesting (after 1-3 years from grant date) of awards, the employees have right to receive such numbers of fully paid equity shares of Rs. 5 of the Company whose market value match with the amount of increase due to appreciation in share price during date of grant and date of exercise of the awards. During the year, the Company has issued 91,650 shares to employees on their exercising the option.

**9. Investments in subsidiaries and affiliates**

- a.** During the current period, the Company has sold investment of Rs. 42,500,000 in its subsidiary, e-Eighteen.com Limited to another step down subsidiary E-18 Limited (formerly known as Tadcaster Holdings Limited) at a loss of Rs. 34,637,501.

- b. During the current period, the Company has sold investment of Rs. 3,170,400 in its subsidiary, Television Eighteen Commoditiescontrol.com Limited to another step down subsidiary E-18 Limited (formerly known as Tadcaster Holdings Limited) at a loss of Rs. 2,847,019.
- c. The Company had an investment of Rs. 442,959,551 (Previous year Rs. NIL) in Global Broadcast News Limited (GBN), which has reported a loss of Rs. 320,347,053 (Previous year Rs. 460,855,373) for the period ended on 31 March, 2007. Since the aforesaid investment in GBN has been transferred to RVT Investment Private limited (subsidiary company) on 20 October 2006 at book value, no provision made for diminution in value of the same. Company's investment of Rs. 88,760,449 in SRH Broadcast News Holdings Private Limited has been transferred to RVT Investments Private Limited (subsidiary company) on 18 October 2006 at book value. No provision has been made in the books for diminution in the value of investment in 600,000 preference shares of Rs. 10 each in the subsidiary.
- d. The Company has an investment of Rs. 59,490,000 (Previous year Rs. Nil) in iNews.com Limited as at 31 March, 2007. Since this is the first year of operations of iNews.com Limited, the audited financial statements as at 31 March 2006 or earlier are not available. However, having regard to the continued long term and strategic involvement with this company no provision is considered necessary in the accounts.
- e. The Company has an investment of Rs. 55,100,200 (Previous year Rs. Nil) in News wire 18 India Private as at 31 March, 2007. Since this is the first year of operations of News Wire 18 India Private, the audited financial statements as at 31 March 2006 or earlier are not available. However, having regard to the continued long term and strategic involvement with this company no provision is considered necessary in the accounts.
- f. The Company has an investment of Rs. 100,000 (Previous year Rs. Nil) in Equity Shares and Rs. 531,720,000 (Previous year Rs. Nil) in Preference shares of RVT Investment Private Limited as at 31 March, 2007. Since this is the first year of operations of RVT Investment Private Limited, the audited financial statements as at 31 March 2006 or earlier are not available. However, having regard to the continued long term and strategic involvement with this company no provision is considered necessary in the accounts.

#### 10. Earnings per share

**Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year. The reconciliation between basic and diluted earnings per equity share is as follows:**

<b>Particulars</b>	<b>Units</b>	<b>Year ended 31.03.2007</b>	<b>Year ended 31.03.2006</b>	<b>Year ended 31.03.2005</b>	<b>Year ended 31.03.2004</b>	<b>Year ended 31.03.2003</b>
a. Net profit after tax	Rs.	175,107,635	194,962,883	194,881,047	(39,311,161)	(13,326,419)
b. Weighted average of number of equity shares used in computing basic earnings per share	No. of shares	54,033,558	27,242,145	22,410,667	20,895,994	15,318,923
c. Basic earnings per share (a/b)	Rs.	3.24	7.16	8.70	(1.88)	(0.82)
d. Effect of potential equity shares under 6% Optionally Convertible Bonds	No. of shares	-	-	-	700,000	-
e. Adjustment for number of shares that would have been issued at the fair value	No. of shares	-	-	-	(700,000)	-
f. Interest saving on 6% Optionally Convertible Bonds (Net of Taxes)	Rs.	-	-	-	801,123	-
g. Effect of potential equity shares under Optionally Convertible Warrants	No. of shares	-	-	980,000	1,120,000	-
h. Adjustment for number of shares that would have been issued at the fair value	No. of shares	-	-	(980,000)	(1,120,000)	-
i. Effect of potential equity shares from conversion of Zero Coupon Secured Partly Convertible Debentures	No. of shares	-	-	-	10,458	-

j.	Weighted average of the number of shares issued under Options	No. of shares	2,073,539	1,591,253	2,360,463	164,325	114,709
k.	Adjustment for number of shares that would have been issued at the fair value	No. of shares	(1,426,120)	(1,204,554)	1,757,452	(23,692)	(18,760)
l.	Weighted average of number of equity shares used in computing diluted earnings per share (b+d+e)	No. of shares	54,680,977	27,628,844	23,013,677	21,047,085	16,549,446
m.	Diluted earnings per share (a/f)	Rs.	3.24	7.06	8.47	1.88*	(0.82)*
n.	Effect of potential equity shares (c-g)	Rs.	0.04	0.10	0.23	-	-

\* The potential equity shares from vesting of options, convertible warrants, 6% optionally convertible debentures, preferential allotment etc. are anti-dilutive since there is a loss during the tear/period ended on these years. Therefore, diluted earning per share for the period ended 30 September 2006 is same as basic earning per share.

## 11. Deferred tax

- Deferred tax assets and liability are being offset as they relate to taxes on income levied by the same governing taxation laws.
- Break up of deferred tax assets/liabilities and reconciliation of current year deferred tax charge:

	Opening Balance	(Charged)/ Credited to General Reserve	(All amounts in rupees) (Charged)/ Credited to P&L	Closing Balance
<b>Deferred Tax Liabilities</b>				
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	(133,981,300)	(482,154)	19,738,614	(114,724,840)
<b>Total (A)</b>	<b>(133,981,300)</b>	<b>(482,154)</b>	<b>19,738,614</b>	<b>(114,724,840)</b>
<b>Deferred Tax Assets</b>				
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax	3,694,049	-	11,352,580	15,046,629
Capital losses to be set off against capital gains in future years	596,715	-	(596,715)	-
Provision for doubtful debts	18,184,395	-	17,628,021	35,812,416
Brought forward business losses to be set off in future years		24,566,384	(10,249,876)	14,316,508
<b>Total (B)</b>	<b>22,475,159</b>	<b>24,566,384</b>	<b>18,134,010</b>	<b>65,175,553</b>
<b>Total (A-B)</b>	<b>(111,506,141)</b>	<b>24,084,230</b>	<b>37,872,624</b>	<b>(49,549,287)</b>

As per Accounting Standard Interpretation – 11 (ASI – 11) issued by The Institute of Chartered Accountants of India the brought forward losses arising out of the merger of the Indian News Business Undertaking have been adjusted from the general reserve.

## 12. Employee Benefits

In accordance with the revised Accounting Standard 15 issued by the Institute of Chartered Accountants of India, the requisite disclosures are as follows:

**a. Accounting policy for recognizing actuarial gains and losses**

Actuarial gains and losses arising from experience adjustments and effects of changes in actuarial assumptions are immediately recognised in the statement of profit and loss account as income or expense.

**b. Description of the type of plan(s)**

**i. Gratuity plan**

The gratuity liability arises on retirement, withdrawal, resignation and death of an employee. The aforesaid liability is calculated on the basis of fifteen days salary (i.e. last drawn salary plus dearness allowance) for each completed year of service subject to completion of five years service.

**ii. Long term compensated absences plan**

The earned leave liability arises on retirement, withdrawal, resignation and death of an employee. The aforesaid liability is calculated on the basis of yearly accrual of 30 days salary (i.e. last drawn salary) subject to maximum accumulation upto 90 days.

**c. Movement in net liability**

Particulars	Gratuity	Compensated	Total
	(Rs.)	Absences (Rs.)	(Rs.)
Present value of obligations as on 1.04.06 (A)	7,540,421	7,045,110	14,585,531
Adjustment for increase in opening provision for retirement benefits (B)**	420,726	799,820	1,220,546
Current service cost (C)	3,578,411	4,458,564	8,036,975
Interest cost (D)	636,892	627,594	1,264,486
Actuarial loss on obligation (E)	2,099,020	289,985	2,389,005
Benefits paid (F)	-	(841,262)	(841,262)
<b>Present value of obligations as on 31.03.07</b>	<b>14,275,470</b>	<b>12,379,811</b>	<b>26,655,281</b>

\*\*In accordance with the revised AS-15 issued by The Institute of Chartered Accountants of India, retirement and short term employee benefits as at 31 March, 2006 have been recomputed. The difference between the amount so computed and the liability with respect to the same as at 31 March 2006 has been accordingly adjusted in the opening debit balance of profit and loss account amounting to Rs. 0.40 crore (Retirement benefits: Rs. 0.12 crore and short term employee benefits: Rs 0.28 crore).

**d. Reconciliation of assets and liabilities**

Particulars	Gratuity	Compensated	Total
	(Rs.)	Absences (Rs.)	(Rs.)
Present value of unfunded defined benefit obligations as on 31.03.07	14,275,470	12,379,811	26,655,281
Fair value of plan assets*	8,886,202	-	8,886,202
Net liability	5,389,268	12,379,811	17,769,079

\* The fair value of plan assets is nil in case of Compensated Absences since long term compensated absences plan are wholly unfunded as on 31 March, 2007.

**e. Principal actuarial assumptions**

<b>S.No.</b>	<b>Particulars</b>	<b>Rate (%)</b>
i.	Discount rate as at 31.03.07	8.00
ii.	Future salary increase	6.00

**13. Segmental reporting**

The Company is engaged in the business of production and telecast of business news and related operations, primarily in India. As the Company operates in a single business and geographical segment, the reporting requirements for primary and secondary segment disclosures prescribed by paragraphs 39 to 51 of Accounting Standard 17 - Segment reporting, have not been provided in these financial statements.

**14. As per the information available with the Company:**

- a.** none of its creditors comprises small scale industrial undertakings to which the Company owes dues, which are outstanding for more than 30 days as at the Balance Sheet date; and
- b.** none of the creditors comprise micro, small and medium enterprises which comprise amount outstanding for more than 45 days as at the Balance Sheet date.

**15. Operating Leases**

The Company has taken various residential/commercial premises under cancellable operating leases. These lease agreements are normally renewed on expiry. The rental expenses on operating leases were charged to Profit and Loss account.

**16. Utilization of Qualified Institutional Buyers (QIB) Proceeds**

The Company has utilized the gross issue proceeds on issue of 3,076,923 equity shares of Rs. 5 each at a premium of Rs 645 per share in the following manner:

<b>Particulars</b>	<b>Year ended 31 March, 2007 Amount (Rs.)</b>
Public Issue Proceeds	2,000,000,000
Less: For General Corporate Purpose	20,000,000
Unutilized Public Issue Proceeds in:	
Mutual Funds	910,000,000
Deposits	1,070,000,000

Net issue expenses borne by the Company is Rs. 50,112,070.

**17. Previous year's amounts have been regrouped/reclassified to conform with current year's presentation.**

**For and behalf of the Company**

**Sanjay Ray Chaudhuri**  
Whole Time Director

Noida  
18 September, 2007

**GLOBAL BROADCAST NEWS LIMITED**

**AUDITOR'S REPORT**

We have examined the attached Statement of Assets and Liabilities and Statement of Income and expenses and the Statement of Cash flows together with the notes thereon (hereinafter referred to as the Condensed Financial Information) of Global Broadcast News Limited as at and for the period/years ended on 31 March 2007 and 31 March 2006.

Based on our examination as aforesaid, we confirm that the information provided in the Condensed Financial Information as set out above has been correctly extracted from the audited financial statements of for the period/years ended on 31 March 2007 and 31 March 2006.

This report is being issued by us for the purpose of incorporating the same in the Placement Document in connection with the Rights Issue of Partly Convertible Preference Shares of Network 18 Fincap Limited (the holding company of Television Eighteen India Limited) as per SEBI (Disclosure & Investor Protection) Guidelines, 2000.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**JITENDRA AGARWAL**  
Partner  
Membership No. 87104

New Delhi  
18 Sep 2007

**GLOBAL BROADCAST NEWS LIMITED**

**SUMMARY STATEMENT OF ASSETS AND LIABILITIES**

	<b>(Rs. in lacs)</b>	
<b>SOURCES OF FUNDS</b>	<b>As at 31.03.2007</b>	<b>As at 31.03.2006</b>
<b>1. SHAREHOLDERS' FUNDS</b>		
a. Share capital	2,672.82	1,000.00
b. Share application money pending allotment	-	3,088.78
c. Reserves & surplus	18,485.03	-
<b>2. LOAN FUNDS</b>		
a. Secured Loans	7,489.32	3,238.95
b. Unsecured loans	500.00	4,000.00
	<b>29,147.17</b>	<b>11,327.73</b>
<b>APPLICATION OF FUNDS</b>		
<b>3. FIXED ASSETS</b>		
a. Gross block	5,172.82	4,929.38
b. Less: Depreciation	848.78	340.63
c. Net block	4,324.04	4,588.75
<b>4. INVESTMENTS</b>	10,915.31	934.00
<b>5. CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
a. Inventories	9.00	-
b. Sundry debtors	4,190.77	645.23
c. Cash & bank balances	1,580.13	897.88
d. Interest accrued but not due	0.41	1.74
e. Loans & advances	2,954.95	1,022.99
	8,735.26	2,567.84
<b>6. LESS: CURRENT LIABILITIES AND PROVISIONS</b>		
a. Current liabilities	2,528.64	1,308.64
b. Provisions	155.14	62.77
	2,683.78	1,371.41
<b>7. NET CURRENT ASSETS</b>	6,051.48	1,196.43
<b>8. PROFIT AND LOSS ACCOUNT (Debit Balance)</b>	7,856.34	4,608.55
	<b>29,147.17</b>	<b>11,327.73</b>

As per our report of even date attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**JITENDRA AGARWAL**  
Partner  
Membership No. 87104

New Delhi  
18-Sep-2007

**For and on behalf of the Company**

**SAMEER MANCHANDA**  
Joint Managing Director

Noida

**GLOBAL BROADCAST NEWS LIMITED**

**SUMMARY STATEMENT OF PROFITS AND LOSSES**

	<b>(Rs. in lacs)</b>	
	<b>Year Ended 31.03.2007</b>	<b>Year Ended 31.03.2006</b>
<b>1. INCOME</b>		
a. Income from operations	7,685.75	591.53
b. Other income	401.78	60.95
	<b>8,087.53</b>	<b>652.48</b>
<b>2. EXPENDITURE</b>		
a. Production, administrative and other costs	6,655.59	2,852.94
b. Personnel expenses	3,210.93	1,873.62
c. Interest and financial charges	829.93	157.78
d. Depreciation	509.55	340.69
	<b>11,206.00</b>	<b>5,225.03</b>
<b>3. Profit before tax</b>	<b>(3,118.47)</b>	<b>(4,572.55)</b>
<b>4. Provision for taxes (Fringe benefit tax)</b>	<b>85.00</b>	<b>36.00</b>
<b>5. Profit/(Loss) after tax carried to balance sheet</b>	<b>(3,203.47)</b>	<b>(4,608.55)</b>

As per our report of even date attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Company

**JITENDRA AGARWAL**  
Partner  
Membership No. 87104

**SAMEER MANCHANDA**  
Joint Managing Director

New Delhi  
18-Sep-2007

Noida

**GLOBAL BROADCAST NEWS LIMITED**

**STATEMENT OF CASH FLOWS**

	<b>(Rs. in lacs)</b>	
	<b>Year Ended 31.03.2007</b>	<b>Year Ended 31.03.2006</b>

## A. CASH FLOW FROM OPERATING ACTIVITIES

Profit before tax	(3,118.47)	(4,572.55)
Adjustments for :		
Depreciation	509.55	340.69
Finance expenses	829.93	157.78
Foreign exchange loss / (gain)	1.27	0.01
Dividend received	(100.20)	(31.27)
Loss/(profit) on sale of investments	3.89	(0.10)
Interest received	(93.92)	(29.58)
Profit on sale of fixed assets	(5.23)	-
Operating profit before working capital changes	<u>(1,973.18)</u>	<u>(4,135.02)</u>
Adjustments for :		
Decrease/(Increase) in Current assets	(4,247.76)	(1,576.72)
Increase/(Decrease) in Current liabilities	1,244.94	1,354.99
Cash generated from/ (used in) operations	<u>(4,976.00)</u>	<u>(4,356.75)</u>
Tax on operational income (including Fringe benefit tax)	(65.85)	(34.53)
Net cash from/ (used in) operating activities	<u><b>(5,041.85)</b></u>	<u><b>(4,391.28)</b></u>

## B. CASH FLOW FROM INVESTING ACTIVITIES

Share Application money paid	(1,150.00)	-
Purchase of fixed assets (including Capital Advances)	(265.00)	(5,008.77)
Sale of assets/claim received	25.38	2.87
Purchase of trade investments	(6,873.18)	-
Purchase of short-term investments	(16,679.11)	(4,962.22)
Sale of short-term investments	13,574.18	4,028.22
Interest income	95.25	27.84
Dividend received	100.20	31.27
Net cash from/ (used in) investing activities	<u><b>(11,172.28)</b></u>	<u><b>(5,880.79)</b></u>

## C. CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from issue of equity shares	13,810.82	4,088.78
Finance expenses	(823.09)	(157.78)
Share Issue Expenses	(841.73)	-
Proceeds from issue of debentures	-	4,000.00
Increase / (Decrease) in loans	4,750.38	3,238.95
Net cash from/ (used in) financing activities	<u><b>16,896.38</b></u>	<u><b>11,169.95</b></u>
Net increase/ (decrease) in cash and cash equivalents	682.25	897.88
Cash and cash equivalents as at the beginning of the year	897.88	-
Cash and cash equivalents as at the end of the year	<u><b>1,580.13</b></u>	<u><b>897.88</b></u>

As per our report of even date attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Company

**JITENDRA AGARWAL**

Partner

Membership No. 87104

New Delhi

18-Sep-2007

**SAMEER MANCHANDA**

Joint Managing Director

Noida

## GLOBAL BROADCAST NEWS LIMITED

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### NOTES FORMING PART OF THE ACCOUNTS

#### 1. Background

Global Broadcast News Limited was incorporated on 6 June, 2005 as Global Broadcast News Private Limited. The Company was converted into a public limited Company and a revised Certificate of Incorporation was issued to give effect to this change on 12 December, 2005. These financial statements have been prepared for the year ended 31 March, 2007. Previous period financials are for the period 6 June, 2005 to 31 March, 2006. The Company is in the business of broadcasting, telecasting, relaying and transmitting general news programmes and operates the news channel “CNN IBN” (consequent to a licensing and content sharing agreement with Turner Broadcasting System Asia Pacific, Inc.). The commercial operations of the Company commenced on 17 December, 2005.

2. Out of the total equity share capital of the company, 10,411,028 shares are held by Network 18 Fincap Limited. Network 18 Fincap limited is also the holding company by virtue of management control over the company’s operations.

#### 3. Significant Accounting Policies

These financial statements have been prepared in accordance with the Accounting Standards as prescribed by the Institute of Chartered Accountants of India and referred to in section 211(3)(c) of the Companies Act 1956. The significant accounting policies adopted in presentation of the accounts are as follows:

##### a. Basis of Accounting

These accounts are prepared on the historical cost convention and on the mercantile basis. The Cash flow statement has been prepared using the “Indirect method” as set out in the Accounting Standard – 3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.

##### b. Revenue Recognition

i. Income from business news mainly includes advertisement revenue which comprises:

- Revenue from sale of advertising time, which is recognised on the accrual basis on telecast of advertisements and in accordance with contractual obligations.
- Revenues from sponsorship contracts, which is recognised proportionately over the term of the sponsorship.

ii. Dividends on investments are accounted for when the right to receive dividend is established.

##### c. Fixed Assets

Fixed assets are stated at their original cost of acquisition/installation less depreciation. All direct expenses attributable to acquisition/installation of assets are capitalised.

##### d. Depreciation

Depreciation on all assets other than improvement to leasehold properties and computer software is charged on straight line basis over the estimated useful lives using rates (including double/ triple shift depreciation rates wherever applicable) prescribed by Schedule XIV of the Companies Act, 1956.

Cost of improvements to leasehold premises is being amortised over the period of lease (including renewal options) of the premises. Computer software is depreciated over a period of 5 years. These rates are higher than those prescribed in Schedule XIV of the Companies Act, 1956.

Depreciation on additions is charged proportionately from the date of acquisition/ installation. Assets costing less than Rs. 5,000 individually have been fully depreciated in the year of purchase.

e. Inventories

Inventories consist of blank videotapes and are valued at cost on First in First Out (FIFO) basis.

Stock of other tapes are written off at the time of purchase.

f. Investments

Long term investments are stated at cost less other than temporary diminution in the value of such investments. Current investments are carried forward at lower of cost or fair value.

g. Employee Benefits

i. Company's contribution to the Employees' Provident Fund are charged to the profit and loss account each year.

ii. Gratuity liability and Long term compensated absences is provided for on the basis of actuarial valuation using Projected Unit Credit Method (PUCM).

iii. Short term employee benefits (Medical, Leave travel allowance, etc.) expected to be paid in exchange for the services rendered is recognised in financial statements on undiscounted basis.

h. Foreign Currency Translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date. Exchange differences on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. Any gain/loss on exchange fluctuation on the date of payment of expenditure incurred for acquisition of fixed assets is treated as an adjustment to the carrying cost of such fixed assets.

i. Taxation

Income tax comprises current tax and deferred tax. Deferred tax assets or liabilities are recognised for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets on unabsorbed depreciation and carry forward of losses are not recognized unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

Deferred tax assets and liabilities are measured using the tax rates enacted or substantively enacted by the balance sheet date (See also note 14).

j. Earnings Per Share

The Company reports basic and diluted earnings per equity share in accordance with AS-20, Accounting Standard on Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period ending 31 March, 2007. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period ending 31 March 2007 (See also note 12).

k. Borrowing Costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

1. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reporting balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reporting amounts of income and expenses during the year. Examples of such estimates include provision for doubtful debts, future obligations under employee retirement benefit plans, income taxes, foreseeable estimated contract losses and useful life of fixed and intangible assets. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from such estimates.

**4. Operational outlook**

The net worth of the Company as at 31 March 2007 has been substantially eroded in view of the accumulated losses incurred till date.

The Management has implemented plans and policies to improve its operations significantly and strengthen the financial position of the Company in the coming years.

The Company continues to receive operational and necessary financial support from Television Eighteen India Limited, its Fellow Subsidiary. Management believes that, with the increased turnover, profitability and continued support from its fellow subsidiary company, the Company will be in a position to settle its obligations as they fall due. Accordingly, these financial statements have been prepared under the going concern assumption.

**5. Scheme of Amalgamation**

The Board of directors of the Company in their meeting on 2 May, 2006 approved a scheme of amalgamation of the Company with SRH Broadcast News Holdings Limited (SRH). As per the scheme, SRH (the 'Transferor Company') comprising all its assets and liabilities was transferred to and vested in the Company at its book value as a going concern as and from the appointed date of 1 October, 2005.

All movable assets including cash in hand of the Transferor Company capable of passing by manual delivery or by endorsement and delivery, were delivered or endorsed to the Transferee Company.

The Company without any further payment, issued and allotted equity shares at par on a proportionate basis to each member of SRH who was holding shares on the specified date, in the ratio of 10.61:1 (5.2:1 as on 31 March, 2006), i.e. for every one equity share of the face value of Rs 10 held in Transferor Company, 10.61 equity shares of the face value of Rs 10 each in Transferee Company were issued. The swap ratio has been adjusted according to the changes in share capital of the Company and all such adjustments are deemed to be an integral part of the Scheme of Amalgamation. From the date the scheme came into effect, all the employees of the Transferor Company in service as on the Effective Date are deemed to have become the employees of the Transferee Company.

The scheme of Amalgamation is considered effective from December 4, 2006, the date on which the certified copies of the orders of the High Court vesting the undertaking in the company were filed with Registrar of Companies. Consequent upon amalgamation of the companies, the transferor company stands dissolved. Details of various assets and liabilities transferred as a result of merger is as follows:

<b>Particulars</b>	<b>Debit Amount (Rs.)</b>	<b>Credit Amount (Rs.)</b>
<b>a. Assets</b>		
Investment	709,708	
Cash and Bank Balances	127,056	

Loan and advances	9,000,000	
<b>b. Liabilities</b>		
Current Liabilities		861,732
<b>C. Balance in Profit &amp; Loss Account (Loss)</b>	1,023,310	
<b>d. Balance amount adjusted to General reserve</b>		9,998,341
<b>Total</b>	<b>10,860,073</b>	<b>10,860,073</b>

## 6. Contingent Liabilities

- a. Guarantees given by banks on behalf of the Company outstanding on 31 March, 2007 Rs. 8.17 crore (Previous year Rs. 8.17 crore).
- b. Guarantees given by the company on behalf of loan taken by Jagran TV Private Limited from a bank Rs. 40.95 crore (Previous year Rs. Nil).
- c. The Company has purchased capital equipment under the 'Export Promotion Capital Goods Scheme'. As per the terms of the licenses granted under the scheme, the Company has undertaken to achieve an export commitment of Rs. 65.34 crore over a period of 8 years commencing from 10 August, 2005. In the event the Company is unable to execute its export obligations, the Company shall be liable to pay customs duty of Rs. 8.17 crore and interest on the same at the rate of 15 per cent compounded annually.
- d. Estimated amounts of contracts remaining to be executed on capital account (net of advances) Rs. 0.05 crore (Previous year Rs. 1.10 crore).

## 7. Secured Loans

- a. **The term loan from ICICI bank of Rs. 32 crore is secured by:**
  - i. First charge on the Company's movable assets, subject to the charges on current assets created/to be created in favour of the Company's bankers for securing borrowings for working capital requirements.
  - ii. Unconditional and irrevocable Personal Guarantee of a Director.
  - iii. Letter of comfort from Television Eighteen India Limited (TV18) whereby TV18 undertakes to take all necessary steps to ensure that the Company fulfils all necessary obligations under the agreement including arrangement of funds for payment to the bank in accordance with the terms and conditions of the loan agreement.
- b. **The term loan from ICICI bank of Rs. 25 crore is secured by:**
  - i. First charge on the Company's movable fixed assets.
  - ii. Letter of comfort from Television Eighteen India Limited for the Facility.
  - iii. Letter of Comfort from Network 18 Fincap Private Limited for the Facility amount.
- c. The short term credit facility from Yes Bank is secured by:
  - i. First exclusive charge on all the current assets of the company
  - ii. Unconditional and irrevocable corporate guarantee of Network 18 Fincap Private Limited.

d. **Other loans from banks are secured by hypothecation of vehicles.**

## 8. Unsecured Loan

Particulars	Year ended 31.03.2007 (Rs.)	Year ended 31.03.2006 (Rs.)
Fully Convertible Debentures of Rs 10 each	-	400,000,000

The Company has, during the year converted 4 crore optionally fully convertible debentures of Rs. 10 each into 2,119,900 equity shares of face value Rs. 10 on 17 May, 2006. This is in pursuance of the letter dated 3 May, 2006 from the debenture holder whereby consent has been given to convert all the debentures into shares at the post money valuation of the Company at Rs. 425 crore.

## 9. Investments

### Investment in B.K.Fincap Private Limited

The Company holds 86,485 (Previous period 9,500) equity shares of BK Fincap Private Limited at the year end which were purchased at a consideration of Rs. 68.01 crores. BK Fincap Private Limited is the holding company for Jagran TV Private Limited (JTV). JTV is incurring operational losses and has accumulated losses which have resulted in the erosion of the net worth of JTV thereby resulting in a diminution in the value of the net worth of BK Fincap Private Limited.

The management of JTV has implemented plans and policies to improve its operations significantly and strengthen the financial position of the Company and its Hindi News Channel IBN 7 is gaining in ratings. Having regard to the long term and strategic involvement with JTV and based on the future operations of JTV, the management is of the view that no diminution in the value of these investments is considered necessary at this stage.

## 10. Earnings per share

Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period ended 31 March, 2007. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period. The details are:

Particulars	Units	Year ended 31.03.07	Period ended 31.03.06
a. Net profit/(loss) after tax	Rs.	(320,347,054)	(460,855,371)
b. Weighted average of number of equity shares used in computing basic earnings per share	No. of shares	26,728,163	9,698,289
c. Basic/ diluted earnings per share (a/b)	Rs.	(14.58)	(47.52)

## 11. Borrowing Costs

The details of the borrowing costs incurred on term loans are set out below:

Particulars	Year ended 31.03.2007 (Rs.)	Period ended 31.03.2006 (Rs.)
Total borrowing cost on term loans from bank	60,884,487	24,607,990
Amount capitalized	-	18,698,486

Amount charged to Profit and Loss account 60,884,487 5,909,504

## 12. Deferred tax

The Company has carried out its tax computation in accordance with the mandatory standard on accounting, AS 22 – ‘Accounting for Taxes on Income’ issued by the Institute of Chartered Accountants of India. In view of significant accumulated losses the Company has not provided for deferred tax assets as there is no virtual certainty that there will be sufficient future taxable income available to realise such assets. In accordance with the same no deferred tax asset / liability was required at the period end.

## 13. Segmental reporting

The Company is engaged in the business of production and telecast of news and current affairs programmes primarily in India. As the Company operates in a single business and geographical segment, the reporting requirements for primary and secondary segment disclosures prescribed by paragraphs 39 to 51 of Accounting Standard 17 - Segment Reporting, have not been provided in these financial statements.

## 14. Employee Benefits

In accordance with the revised Accounting Standard 15 issued by the Institute of Chartered Accountants of India, the requisite disclosures are as follows:

### f. Accounting policy for recognising actuarial gains and losses

Actuarial gains and losses arising from experience adjustments and effects of changes in actuarial assumptions are immediately recognised in the statement of profit and loss account as income or expense.

### g. Description of the type of plan(s)

#### i. Gratuity plan

The gratuity liability arises on retirement, withdrawal, resignation and death of an employee. The aforesaid liability is calculated on the basis of fifteen days salary (i.e. last drawn salary plus dearness allowance) for each completed year of service subject to completion of five years service.

#### ii. Long term compensated absences plan

The earned leave liability arises on retirement, withdrawal, resignation and death of an employee. The aforesaid liability is calculated on the basis of yearly accrual of 30 days salary (i.e. last drawn salary) subject to maximum accumulation up to 90 days.

### h. Movement in net liability

Particulars	Gratuity	Compensated Absences	Total
	(Rs.)	(Rs.)	(Rs.)
Present value of obligations as on 1.04.06 (A)	1,595,132	3,040,004	4,635,136
Adjustment for increase in opening provision for retirement benefits (B)**	163,149	903,413	1,066,562
Current service cost (C)	2,573,683	3,971,555	6,545,238
Interest cost (D)	140,662	315,473	456,135
Actuarial loss/(gain) on obligation (E)	224,315	(970,596)	(746,281)

Benefits paid (F)	-	-	
<b>Present value of obligations as on 31.03.07 (G=A+B+C+D+E-F)</b>	<b>4,696,941</b>	<b>7,259,849</b>	<b>11,956,790</b>

\*\*In accordance with the revised AS-15 issued by The Institute of Chartered Accountants of India, retirement and short term employee benefits as at 31 March, 2006 have been recomputed. The difference between the amount so computed and the liability with respect to the same as at 31 March 2006 has been accordingly adjusted in the opening debit balance of profit and loss account (amounting to Rs. 0.44 crore (Retirement benefits: Rs. 0.11 crore and short term employee benefits: Rs. 0.33 crore)).

**i. Reconciliation of assets and liabilities**

S.No.	Particulars	Gratuity (Rs.)	Compensated Absences (Rs.)	Total (Rs.)
1.	Present value of unfunded defined benefit obligations as on 31.03.07	4,696,941	7,259,849	11,956,790
2.	Fair value of plan assets*	-	-	-
3.	Net liability	4,696,941	7,259,849	11,956,790

\* The fair value of plan assets is nil since both gratuity plan and long term compensated absences plan are wholly unfunded as on 31<sup>st</sup> March, 2007.

**j. Principal actuarial assumptions**

S.No.	Particulars	Rate (%)
i.	Discount rate as at 31.03.07	8.00%
ii.	Future salary increase	6.00%

**15. Initial Public Offering**

- During the year the company has issued and allotted 4,200,000 shares of faces value of Rs. 10.each at a premium of Rs. 240 per equity share through an initial public offering (IPO).
- Expenses of Rs. 841.73 lacs incurred in connection with the IPO have been adjusted against share premium account
- The details of utilisation of the funds received through Initial Public Offer (IPO) are as follows:

Particulars	Projected Utilisation as per Prospectus	Actual utilization as at 31 March, 2007
	(Rs. in crores)	(Rs. in crores)
IPO expenses	7.97	8.42
Investment in B.K. Fincap Private Limited	45.85	45.85
Repayments of a term loan from bank	25.00	-
For general use	26.18	10.32
Unutilized Amount as at 31 March, 2007	-	40.41

The unutilised funds as on 31 March, 2007 have been temporarily deployed in short term investments.

- 16.** As per information available with the company, none of its creditors comprise of small scale industrial undertakings to which the company owes dues, which are outstanding for more than 30 days as on the Balance Sheet date. Further, none of the creditors comprise micro, small and medium enterprises to whom amounts are outstanding for more than 45 days as on the Balance Sheet date.
- 17.** Previous period's amounts have been reclassified / regrouped to conform to the current period's presentation.

**For and on behalf of the Company**

**SAMEER MANCHANDA**  
Jt. Managing Director

Noida  
18 September, 2007

**SETPRO 18 DISTRIBUTION PRIVATE LIMITED**

**AUDITOR'S REPORT**

We have examined the attached Statement of Assets and Liabilities, the Statement of Income and expenses and the Statement of Cash flows together with the notes thereon of Setpro 18 Distribution Private Limited as at and for the years ended on 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007.

Based on our examination as aforesaid, we confirm that the information provided in the Condensed Financial Information as set out above has been correctly extracted from the audited financial statements for the years ended on 31 March 2003, and 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007.

This report is being issued by us for the purpose of incorporating the same in the Placement Document in connection with the Rights Issue of Network 18 Fincap Limited, (the holding company ) as per SEBI (Disclosure & Investor Protection) Guidelines, 2000.

For **VSH & ASSOCIATES**  
Chartered Accountants

**HEMANT NARANG**  
Partner  
Membership No. 91142

New Delhi  
Date: 18<sup>th</sup> September, 2007

**SETPRO 18 DISTRIBUTION PRIVATE LIMITED**  
**(EARLIER KNOWN AS SETPRO HOLDINGS PRIVATE LIMITED)**

**SUMMARY STATEMENT OF ASSETS AND LIABILITIES**

	(Rs. in lacs)				
SOURCES OF FUNDS	As at 31.03.2007	As at 31.03.2006	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003
<b>SHAREHOLDERS' FUNDS</b>					
a. Share capital	1.00	1.00	1.00	1.00	1.00
b. Reserves & surplus	233.89	26.62	(0.23)	(0.25)	(0.22)
Deferred Tax Liability	1.59	1.10	-	-	-
	<u>236.48</u>	<u>28.72</u>	<u>0.77</u>	<u>0.75</u>	<u>0.78</u>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
a. Gross block	8.51	6.38	0.05	0.05	0.05
Less:					
b. Depreciation	1.73	0.72	0.04	0.04	0.04
c. Net block	<u>6.78</u>	<u>5.66</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
a. Sundry debtors	1,031.79	-	0.05	-	-
b. Cash & bank balances	17.65	49.31	0.79	0.80	0.80
c. Loans & advances	388.73	589.37	0.01	0.01	0.01
	<u>1,438.17</u>	<u>638.68</u>	<u>0.85</u>	<u>0.81</u>	<u>0.81</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	<u>1,208.47</u>	<u>615.62</u>	<u>0.09</u>	<u>0.07</u>	<u>0.04</u>
<b>NET CURRENT ASSETS</b>	229.70	23.06	0.76	0.74	0.77

<u>236.48</u>	<u>28.72</u>	<u>0.77</u>	<u>0.75</u>	<u>0.78</u>
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As per our report of  
even date attached

**V S H &  
ASSOCIATES**  
Chartered  
Accountants

**For and on behalf of the Company**

**Hemant Narang**  
Partner  
M. No. 91142

**Sameer Manchanda**  
Director

New Delhi  
18 Sep 2007

Noida

	<u>Year Ended 31.03.2007</u>	<u>Year Ended 31.03.2006</u>	<u>Year Ended 31.3.2005</u>	<u>Year Ended 31.03.2004</u>	<u>Year Ended 31.3.2003</u>
					(Rs. in lacs)
<b>INCOME</b>					
a. Income from operations	4,333.70	1,672.91	0.09	0.04	0.16
b. Other income	<u>0.58</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>4,334.28</u></b>	<b><u>1,672.91</u></b>	<b><u>0.09</u></b>	<b><u>0.04</u></b>	<b><u>0.16</u></b>
<b>EXPENDITURE</b>					
a. Operative, administrative and other costs	3,705.78	1,527.52	0.02	0.02	0.10
b. Personnel expenses	266.11	95.52	-	-	0.05
c. Interest and financial charges	25.64	6.24	0.05	0.04	0.04
d. Depreciation	<u>1.01</u>	<u>0.68</u>	<u>-</u>	<u>0.01</u>	<u>-</u>
	<b><u>3,998.54</u></b>	<b><u>1,629.96</u></b>	<b><u>0.07</u></b>	<b><u>0.07</u></b>	<b><u>0.19</u></b>

<b>Profit before tax</b>	<b>335.74</b>	<b>42.95</b>	<b>0.02</b>	<b>(0.03)</b>	<b>(0.03)</b>
<b>Provision for taxes (Incl. Fringe benefit tax)</b>	<b>128.47</b>	<b>16.10</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(Loss) after tax carried to balance sheet</b>	<b>207.27</b>	<b>26.85</b>	<b>0.02</b>	<b>(0.03)</b>	<b>(0.03)</b>

As per our report of even date attached

**V S H & ASSOCIATES**

Chartered Accountants

**For and on behalf of the Company**

**Sameer Manchanda**

**Hemant Narang**

Partner

M. No. 91142

New Delhi

18 Sep 2007

Director

Noida

**SETPRO 18 DISTRIBUTION PRIVATE LIMITED**  
**(EARLIER KNOWN AS SETPRO HOLDINGS PRIVATE LIMITED)**

**STATEMENT OF CASH FLOWS**

	<b>Year Ended 31.03.2007</b>	<b>Year Ended 31.03.2006</b>	<b>Year Ended 31.03.2005</b>	<b>Year Ended 31.03.2004</b>	<b>Year Ended 31.03.2003</b>
					(Rs. in lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before tax	335.74	42.95	0.02	(0.03)	(0.03)
Adjustments for :					
Depreciation	1.01	0.68	-	-	-
Preliminary expenses written off	-	-	-	-	0.01
Finance expenses	23.56	5.63	-	-	-
Dividend received	(0.51)	-	-	-	-
Loss/(profit) on sale of investments	(0.07)	-	-	-	-
Operating profit before working capital changes	359.73	49.26	0.02	(0.03)	(0.02)
Adjustments for :					
Decrease/(Increase) in Current assets	(831.16)	(589.31)	(0.05)	-	0.27
Increase/(Decrease) in Current liabilities	593.34	616.63	0.02	0.03	(0.53)
Cash generated from/ (used in) operations	121.91	76.58	(0.01)	-	(0.28)
Tax on operational income (including Fringe benefit tax)	(128.47)	(16.10)			
Net cash from/ (used in) operating activities	<b>(6.56)</b>	<b>60.48</b>	<b>(0.01)</b>	<b>-</b>	<b>(0.28)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of fixed assets	(2.13)	(6.34)	-	-	-
Purchase of short-term investments	(50.00)	-	-	-	-
Sale of short-term		-	-	-	-

investments	50.08				
Dividend received	0.51	-	-	-	-
Net cash from/ (used in) investing activities	<b>(1.54)</b>	<b>(6.34)</b>	-	-	-

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Issue of equity shares	-	-	-	-	1.00
Finance expenses	(23.56)	(5.62)	-	-	-
Loan taken from TV 18 Senior Prof. Trust	150.00	-	-	-	-
Repayment of loan from TV 18 Senior Prof. Trust	(150.00)	-	-	-	-
Net cash from/ (used in) financing activities	<b>(23.56)</b>	<b>(5.62)</b>	-	-	<b>1.00</b>
Net increase/ (decrease) in cash and cash equivalents	(31.66)	48.52	(0.01)	-	0.72
Cash and cash equivalents as at the beginning of the year	49.31	0.79	0.80	0.80	0.08
Cash and cash equivalents as at the end of the year	<b>17.65</b>	<b>49.31</b>	<b>0.79</b>	<b>0.80</b>	<b>0.80</b>

As per our report of even date attached

**V S H & ASSOCIATES**  
Chartered Accountants

**For and on behalf of the Company**

**Hemant Narang**  
Partner  
M. No. 91142

**Sameer Manchanda**  
Director

New Delhi  
18 Sep 2007

Noida

## SETPRO 18 DISTRIBUTION PRIVATE LIMITED

(EARLIER KNOWN AS SETPRO HOLDINGS PRIVATE LIMITED)

### SCHEDULE - 11: NOTES ON ACCOUNTS

31.03.2007

#### 1. Significant Accounting Policies

These financial statements have been prepared in accordance with the Accounting Standards as prescribed by the Institute of Chartered Accountants of India and referred to in section 211(3)(c) of the Companies Act 1956. These statements are for the period 1<sup>st</sup> April, 2006 to 31<sup>st</sup> March, 2007. The significant accounting policies adopted in presentation of the accounts are as follows:

##### i) Basis of Accounting

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the standards on accounting issued by the Institute of Chartered Accountants of India and referred to in section 211(3C) of the Companies Act, 1956. The significant accounting policies are as follows:

##### ii) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is provided pro-rata on the straight-line method with double shift rates as prescribed under the Companies Act for the year ending 31.03.2007.

##### iii) Revenues

###### a. Band Placement Fee

The Company recognizes revenues on account of fee from band placements proportionately over the period of subsequent contracts with the operators.

**b. Dividends on investments** are accounted for when the right to receive dividend is established.

##### iv) Taxation

Income tax comprises current tax and deferred tax. Deferred tax assets or liabilities are recognised for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets and liabilities are measured using the tax rates enacted or substantively enacted by the Balance Sheet date (See also note 6).

#### 2) Employee Benefits

In accordance with the revised Accounting Standard 15 issued by the Institute of Chartered Accountants of India, the requisite disclosures are as follows:

- i) Company's contribution to the Employees' Provident Fund is charged to the profit and loss account.
- ii) Gratuity liability is provided for on the basis of actuarial valuation using projected unit credit method (PUCM).
- iii) Long term compensated absences are provided for on the basis of an actuarial valuation using projected unit credit method (PUCM).
- iv) Short term employee benefits (Medical, Leave travel allowance, etc.) expected to be paid in exchange for the services rendered is recognised in financial statements on undiscounted basis.

- v) The followings are the Principal actuarial assumptions for actuarial valuation.

Sl.No.	Particulars	Rate (%)
i)	Discounting Rate	8.00 %
ii)	Future salary Increase	6.00 %
iii)	Retirement Age	60 Years

### 3) Foreign Currency Translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date. Exchange differences on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account.

- 4) Sundry debtors and sundry creditors are subjects to confirmation.

### 5) DEFERRED TAX

The provision for deferred tax has been made as per AS 22 for the current year as follows: -

Deferred tax liability provision	31.3.2007 Amount (Rs.)	31.3.2006 Amount (Rs)
Tax impact of difference between carrying amount of fixed assets In the financial statements and under the income tax Act	4,71,671	62,476
Total (A)	4,71,671	62,476
Deferred tax assets		
Tax impact of expenses charged in the financial statements But allowable as deductions in future years under income tax.	Nil	Nil
Total (B)	Nil	Nil
Net amount of Deferred tax Liability as on 31.3.2007	158,765	Nil

### 6. Earnings per share

Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period ended 31 March, 2007. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period. However basic and diluted earnings per share are same.

Particulars	Units	Period ended 31.03.07	Period ended 31.03.06	Period ended 31.03.05	Period ended 31.03.04	Period ended 31.03.03
a. Net profit/(loss) after tax	Rs.	20,727,340	2,684,289	2,011	(2,654)	(3,052)
b. Weighted average of number of equity shares used in computing basic earnings per share	No. of shares	10,000	10,000	10,000	10,000	10,000

<b>Particulars</b>	<b>Units</b>	<b>Period ended 31.03.07</b>	<b>Period ended 31.03.06</b>	<b>Period ended 31.03.05</b>	<b>Period ended 31.03.04</b>	<b>Period ended 31.03.03</b>
c. Basic earnings per share (a/b)	Rs.	2,072.73	268.43	0.20	(0.27)	(0.31)
d. Diluted earnings per share	Rs.	2,072.73	268.43	0.20	(0.27)	(0.31)

**7. Contracts with parties referred to in Section 297 of the Companies Act.**

The Company has entered into contracts with Companies in which directors are interested, for distribution and strategic placement of their TV channels. The agreements are recorded in the register as required under section 301 of the Companies Act 1956. The Company has received Rs.3657.03 Lacs from contracts with companies listed u/s 301 of Companies act 1956.

**8.** Previous year figures have been regrouped and rearranged wherever it is necessary.

**For and on behalf of the Company**

**SAMEER MANCHANDA**  
Director

Place: Noida  
Date: 18th September 2007

## **NETWORK 18 HOLDINGS LTD**

We have examined the attached Statement of Assets and Liabilities and Statement of Income and expenses and the Statement of Cash flows together with the notes thereon of Network 18 Holdings Ltd as at and for the period ended on 31 March 2007.

Based on our examination as aforesaid, we confirm that the information provided in the Condensed Financial Information as set out below has been correctly extracted from the audited financial statements of Network 18 Holdings Ltd. for the period ended on 31 March 2007.

This report is being issued by us for the purpose of incorporating the same in the Placement Document in connection with the Rights Issue of partly convertible preference shares of Network 18 Fincap Limited, the holding company of Network 18 Holdings Ltd, as per SEBI (Disclosure & Investor Protection) Guidelines, 2000.

Ernst & Young  
Chartered Accountants

Limassol  
17 September, 2007

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**INCOME STATEMENT****For the period from 19 April, 2006 to 31 March, 2007**

	<b>Note</b>	<b>Period from 19/4/2006 to 31/3/2007 US\$</b>
Administration expenses		(35.453)
<b>Loss from operations</b>		<u>(35.453)</u>
Bank interest received	4	3.850
Bank charges	4	(311)
<b>Loss for the period</b>		<u><u>(31.914)</u></u>

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**BALANCE SHEET**  
**As at 31 March, 2007**

	<b>Note</b>	<b>31/3/2007 US\$</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiary company	6	1.500.000
<b>Current assets</b>		
Accounts receivable	7	900
Cash and cash equivalents	8	31.499
		<u>32.399</u>
<b>Total assets</b>		<u><u>1.532.399</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and accumulated losses</b>		
Share capital	9	1.500.001
Accumulated losses		(31.914)
<b>Total equity</b>		<u>1.468.087</u>
<b>Current liabilities</b>		
Accounts payable and accruals	10	64.312
<b>Total equity and liabilities</b>		<u><u>1.532.399</u></u>

**STATEMENT OF CHANGES IN EQUITY**  
**For the period from 19 April, 2006 to 31 March, 2007**

	Ordinary share capital US\$	Preference share capital US\$	Accumulated losses US\$	Total US\$
Issue of share capital on 19 April, 2006	1	1.500.000	-	1.500.001
Redemption of preference shares on 12 February, 2007	-	(1.500.000)	-	(1.500.000)
Issue of ordinary shares on 12 February, 2007	1.500.000	-	-	1.500.000
Loss for the period	-	-	(31.914)	(31.914)
At 31 March, 2007	<u>1.500.001</u>	<u>-</u>	<u>(31.914)</u>	<u>1.468.087</u>

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**CASH FLOW STATEMENT****For the period from 19 April, 2006 to 31 March, 2007**

	<b>Note</b>	<b>Period from 19/4/2006 to 31/3/2007 US\$</b>
<b>Cash flows from operating activities</b>		
Loss for the period		(31.914)
Bank interest received		(3.850)
Operating loss before working capital changes		<u>(35.764)</u>
Increase in accounts receivable		(900)
Increase in accounts payable and accruals		64.312
<i>Net cash generated from operating activities</i>		<u>27.648</u>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary company	6	(1.500.000)
Bank interest received		3.850
<i>Net cash used in investing activities</i>		<u>(1.496.150)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	9	1.500.001
<i>Net cash generated from financing activities</i>		<u>1.500.001</u>
<i>Net movement in cash and cash equivalents</i>		31.499
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<u><u>31.499</u></u>

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**NOTES ON THE FINANCIAL STATEMENTS**  
**For the period from 19 April, 2006 to 31 March, 2007**

**1. General**

The Company was incorporated in Cayman Islands on 19 April, 2007. Its registered office is located at South Church street, P.O.Box 309 GT, Ugland House, George Town, Grand Cayman, Cayman Islands.

The Company's main activity is the holding of investments.

On 25 January, 2007 the Company changed its name from TV 18 Holdings Ltd to Network 18 Holdings and on 12 February it changed its name to Network 18 Holdings Ltd.

**2. Significant accounting policies**

The significant accounting policies adopted for the preparation of these financial statements, which have been applied consistently in relation to material items, are set out below:

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements comply with both these reporting frameworks because at the time of their preparation all applicable IFRSs issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commission.

In addition, the financial statements have been prepared under the historical cost convention.

**Consolidated financial statements**

The Company did not prepare consolidated financial statements as the ultimate holding company, Television Eighteen India Ltd prepares consolidated financial statements, under IFRS which include Network 18 Holdings Ltd and its subsidiary. This is permitted by the International Financial Reporting Standards. The consolidated financial statements of Television Eighteen India Ltd can be obtained at 601, 6<sup>th</sup> floor, Commercial Tower, Hotel Le-Meridien, Raisina Road, New Delhi 101 001, India or on [www.tv.18online.com](http://www.tv.18online.com).

**Adoption of new and revised IFRS**

In the current year the Company adopted all new and revised IFRSs' that are relevant to its operations and are effective for accounting periods beginning on 1 January, 2006.

The new Standards applicable are as follows:

IAS 1 and IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures

IAS 21 Amendment – The Effects of Changes in Foreign Exchange Rates

IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intra-group Transactions

IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts

IFRS 6 – Exploration for and Evaluation of Mineral Resources

IFRIC 4 – Determining whether an Arrangement Contains a Lease

IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration, and Environmental Rehabilitation Funds

IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

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**NOTES ON THE FINANCIAL STATEMENTS**  
**For the period from 19 April, 2006 to 31 March, 2007**

**2. Significant accounting policies (continued)**

**Standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

**Issued by the IASB and adopted by the EU**

***IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures*** (effective for financial years beginning on or after 1 January 2007)

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and the disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation.

The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

The impact of the above on the Company's financial statements will be additional disclosures concerning financial instruments and management of capital.

***IFRIC 8, Scope of IFRS 2*** (effective for financial years beginning on or after 1 May 2006).

IFRIC 8 clarifies that IFRS 2 Share-based payment will apply to any arrangement when equity instruments are granted or liabilities (based on the value of an entity's equity instrument) are incurred by an entity, when the identifiable consideration appears to be less than the fair value of the instruments given.

IFRIC 8 is not relevant to the Company's operations.

***IFRIC 9, Reassessment of Embedded Derivatives*** (effective for financial years beginning on or after 1 June 2006)

IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows.

IFRIC 9 is not relevant to the Company's operations.

**Issued by the IASB but not yet adopted by the EU**

***IFRS 8, Operating Segments*** (effective for financial years beginning on or after 1 January 2009)

IFRS 8 replaces IAS 14 Segment Reporting and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences.

This Standard is not applicable to the Company.

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**NOTES ON THE FINANCIAL STATEMENTS**  
**For the period from 19 April, 2006 to 31 March, 2007**

**2. Significant accounting policies (continued)**

***IFRIC 10, Interim Financial Reporting and Impairment*** (effective for financial years beginning on or after 1 November 2006).

This Interpretation may impact the financial statements should any impairment losses be recognised in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements.

IFRIC 10 is not relevant to the Company's operations.

***IFRIC 11, IFRS 2-Group and Treasury Share Transactions*** (effective for financial years beginning on or after 1 March 2007)

This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent.

IFRIC 11 is not relevant to the Company's operations.

***IFRIC 12, Service Concession Arrangements*** (effective for financial years beginning on or after 1 January 2008)

The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and / or an intangible asset.

IFRIC 12 is not relevant to the Company's operations.

*Use of estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

**Foreign currency translation**

The functional and presentation currency of the Company is the United States Dollars (US\$). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings that provided a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

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**NOTES ON THE FINANCIAL STATEMENTS**  
**For the period from 19 April, 2006 to 31 March, 2007**

**2. Significant accounting policies (continued)**

**Investment in subsidiary company**

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The investment in subsidiary company is carried at cost less provision for impairment, if considered necessary, which is charged to the income statement in accordance with IAS 36: "Impairment of assets".

**Impairment of assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**Accounts receivable**

Accounts receivable are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. A provision for doubtful debts is made when collection of the full amount is no longer probable. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off when identified in the income statement.

**Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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**NOTES ON THE FINANCIAL STATEMENTS**  
**For the period from 19 April, 2006 to 31 March, 2007**

**2. Significant accounting policies (continued)**

**Share capital**

Share capital is recognised at the fair value of consideration received. Any excess over the nominal value of shares is taken to the share premium reserve.

Costs incurred for issuing new share capital when the issuance results in a net increase or decrease to equity are charged directly to equity. Costs incurred for issuing new share capital when the issuance does not result in a change to equity are taken to the income statement.

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, irrespective of whether such goods or services were billed by the supplier.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest income*

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

**3. Loss from operations**

The loss from operations is stated after charging:

	<b>Period from 19/4/2006 to 31/3/2007 US\$</b>
Audit fees	4.009
Incorporation expenses	14.509
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**NOTES ON THE FINANCIAL STATEMENTS**  
**For the period from 19 April, 2006 to 31 March, 2007**

**4. Net finance income**

	<b>Period from 19/4/2006 to 31/3/2007 US\$</b>
Bank interest received	3.850
Bank charges	(311)
	<u>3.539</u>

**5. Taxation**

The Company is resident in Cayman Islands for tax purposes and its activities are not subject to any tax in Cayman Islands.

**6. Investment in subsidiary company**

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Activities</b>	<b>% Holding</b>	<b>Cost US\$</b>
TV 18 HSN Holdings Ltd	Cyprus	Holding of investments	100% of ordinary share capital	1.499.000
			0,02% of Preference share capital	1.000
				<u>1.500.000</u>

**7. Accounts receivable**

	<b>31/3/2007 US\$</b>
Amount due from related company	900
	<u>900</u>

The above amount does not carry interest and there are no fixed terms for its repayment.

**8. Cash and cash equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet account:

	<b>31/3/2007 US\$</b>
Cash at bank	31.499
	<u>31.499</u>

**NOTES ON THE FINANCIAL STATEMENTS**  
**For the period from 19 April, 2006 to 31 March, 2007**

**9. Share capital**

	<b>31/3/2007</b>
	<b>US£</b>
Authorised:	
<b>2.000.000 ordinary share of US\$1 each</b>	<b>2.000.000</b>
<b>5.400.000 preference shares of US\$1 each</b>	<b>5.400.000</b>
	<b>7.400.000</b>
	<b>US\$</b>
Issued and fully paid:	
<b>1.500.001 ordinary shares of US\$1</b>	<b>1.500.001</b>

**10. Accounts payable and accruals**

	<b>31/3/2007</b>
	<b>US\$</b>
Amount due to shareholder	50.000
Accrued expenses	14.312
	<b>64.312</b>

The above amounts are payable within twelve months from the balance sheet date and do not carry interest.

The amount due to shareholder bears no interest and has no fixed terms of repayment.

**11. Financial instruments**

**(1) Financial risk factors**

The Company is exposed to interest rate risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below.

**(a) Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Company's income and operating cash flows are substantially independent on changes in market interest rates. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

**(b) Liquidity risk**

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses.

**(c) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. At the year end the Company had no significant balances in foreign currencies. The Company's policy is not to enter into any currency hedging transaction.

**(2) Fair values**

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

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**NOTES ON THE FINANCIAL STATEMENTS**  
**For the period from 19 April, 2006 to 31 March, 2007**

**12. Events after the balance sheet date**

At the date of this report there were no material post balance sheet events which require disclosure in the financial statements.

**13. Date of approval of the financial statements**

The Board of Directors approved these financial statements on 5 July, 2007

## FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our significant outstanding secured borrowings of Rs. 8525.50 lakhs as of September 24, 2007 together with a brief description of certain significant terms of such financing arrangements.

*(In Rs. unless otherwise stated)*

Description	Amount	Tenor /Repayment	Interest	Security
Sanction letter dated November 21, 2006 from Yes Bank Limited	Term Loan of Rs. 1,500.00 lakhs	Repayment in 24 equal monthly instalments after a moratorium period of 18 months	13.25% p.a	<ul style="list-style-type: none"> <li>• Exclusive charge over Studio 18's current and moveable fixed assets</li> <li>• Unconditional and irrevocable personal guarantee of Mr. Raghav Bahl</li> <li>• Escrow of all dividend flows from TV18, with a minimum balance of three months interest on the facility amount in the escrow account</li> </ul>
	Cash credit working capital demand loan of Rs. 500.00 lakhs	Tenor of 12 months		
Sanction letter dated September 18, from Cholamandalam DBS 2006	Term loan of Rs. 1,000.00 lakhs	Tenor valid up to October 1, 2007 with a put and call option after six months i.e April 1, 2007 with 15 days advance notice	14% p.a	Charge on the current assets of the Company equal to the principal outstanding  Secondary charge on the unencumbered dematted shares of TV18
Sanction letter dated September 14, 2006 from Birla Global Finance Company Limited	Term loan of Rs. 600.00 lakhs	For a period of one year from the date of first disbursement	12.79% p.a	Loan against shares of TV18
Sanction letter dated August 28, 2006 from DSP Merrill Lynch Capital Limited	Term loan of up to Rs. 1,200.00 lakhs	For a period of one year	12%p.a	Pledge of approved securities to DSP Merrill Lynch Capital Limited
Sanction letter dated May 17, 2007 from DSP Merrill Lynch Capital Limited	Term loan of up to Rs. 700.00 lakhs	For a period of one year	13.50%	Pledge of approved securities to DSP Merrill Lynch Capital Limited
Sanction letter dated September 12, 2005 from HDFC Limited	Term loan of Rs. 700.00 lakhs	For a period of 24 months . The loan shall be re-paid in three quarterly instalments of Rs. 8, 750,000.00 with the first instalment falling due at the end of 15 months	12.25%.pa	Pledge of equity shares of TV18 held by our Promoter.  Personal guarantee of Mr. Raghav Bahl.

		from the date of the first disbursement of the loan, followed by one instalment of Rs. 43,750,000.00 at the end of 24 months from the date of first disbursement of the loan.		
Sanction letter dated June 14, 2007 from Infrastructure Leasing and Financial Services Limited	Term loan of up to Rs. 1,100.00 lakhs	24 months	14.50%	Pledge of equity shares of TV18 India Limited held by the Company.  Demand promissory note of Rs. 1,100.00 lakhs in favour of Infrastructure Leasing and Financial Services Limited.
Sanction letter dated October 12, 2006 from Kotak Mahindra Prime Limited	Term loan of Rs. 500.00 lakhs only	12 months	15%	Personal guarantee of Mr. Raghav Bahl Pledge of shares of TV18 belonging to the borrower/group entities of TV18.
Sanction letter dated September 24, 2007 from Kotak Mahindra Prime Limited	Term loan of Rs. 500.00 lakhs only	12 months	15%	Personal guarantee of Mr. Raghav Bahl Pledge of shares of TV18 belonging to the borrower/group entities of Network 18

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Draft Letter of Offer. You should also read the section titled "Risk Factors" beginning on page 7, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company, and, unless otherwise stated, is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the Companies Act, the SEBI Guidelines and the RBI guidelines. Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year.

### Overview

Our Company is the holding company of the Group with strategic and financial investments in media and allied businesses and is registered with the RBI as a NBFC. Our Company primarily has investments in: (a) TV18, which owns and operates 'CNBC-TV18' and 'CNBC Awaaz' channels; (b) Setpro, which is primarily engaged in the business of distribution of channels, arranging band placement, seeding of set top boxes within India or abroad and to collect subscription revenues for broadcasters; (c) Network 18 Holdings Limited which is the holding company for Homeshop18, the Group's home shopping service; and (d) GBN, which owns and operates the channel, 'CNN IBN' and has substantially invested in a company which controls a Hindi language news and current affairs channel 'IBN 7'.

With track record of more than 10 years, the Group has been able to position itself as a leading player in the media and entertainment industry. Our Company forayed into audio and video content production and distribution with an initial focus on co-production and distribution of feature films through our film division, "Studio 18" which was established in July 2006.

As a part of the Group strategy and our intention to de-risk the films business, our Company has invested GBP 10 million in The Indian Film Company Limited (a company incorporated in Guernsey), a GBP 55 million company sponsored by Mr. Raghav Bahl, our Promoter and is listed on the Alternative Investment Market of the London Stock Exchange. The objective of The Indian Film Company Limited, is to invest primarily in the Indian film industry. Further, as a part of this arrangement, our Company has also entered into a Assignment Agreement dated April 19, 2007 with The Indian Film Company (Cyprus) Limited (a wholly owned subsidiary of The Indian Film Company (Guernsey)), pursuant to which our Company assigned all its rights with respect of current contracts our Company had entered into pertaining to the film business including co-production and distribution contracts along with a right of first refusal with respect to all future contracts originated by "Studio 18".

Pursuant to the strategic alliance between the Group and Viacom Inc. ("Viacom"), our Company has entered into a share subscription agreement and a shareholders agreement dated May 22, 2007, to create a 50-50 joint venture with Viacom. As per the terms of the arrangement, our Company has also entered into a business transfer agreement dated September 15, 2007, pursuant to which our Company has agreed to transfer its film business, on a slump sale basis to MTV India. For further details, see section titled "Recent Developments" beginning on page 20 of the Draft Letter of Offer.

Our Company has also recently made a foray into event management, with the launch of "E-18", which would operate as our event management division. E-18 would operate in the live entertainment space, by conceptualising and staging large format events, such as concerts by international and Indian artists, award functions, large format business conferences, conclaves and seminars. "E-18" has organised the *Independence Rock Concerts*, a series of four major rock concerts across the country, in August and September 2007.

In order to diversify and expand our content production business and to capitalise on the Group's expertise, synergies and experience in the media industry, our Company is enhancing its focus on audio and video content production for television, internet, IPTV and allied media.. Our proposed audio and video content venture will focus on producing audio and video content across various genres of drama, music shows, news features, talk shows, events, animation, reality shows and programs related to current affairs for various television channels, including channels owned and operated by the Group.

Our Equity Shares were listed on BSE and NSE on February 2, 2007, pursuant to the Scheme undertaken in the year 2005, between our Company, TV18 and SGA News with a view to unlock significant synergies in the

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businesses of the Group and to re-organise the existing Group operating structure to comply with the MIB Guidelines. For further details of the Scheme and Listing, see section titled “History and Certain Corporate Matters” on page 96 of this Draft Letter of Offer.

Our total revenue for Fiscal 2006 and Fiscal 2007 was Rs. 190.04 lakhs and Rs.1,618.63 lakhs, respectively.

### **Factors Affecting Our Financial Results**

Our financial results are dependent on the performance of the Indian economy and the media, entertainment and allied sectors in general and the performance of the companies in which we invest in particular. In July 2006, we entered the film business through our division Studio 18, comprising the acquisition, production, syndication and distribution of full length feature films. Our current focus is on the production of audio and video content and the event management space through E-18. Our various investments in the media, entertainment and allied sectors and our entry in the audio and video content production and the event management businesses are subject to various risks and uncertainties, including those discussed in the section titled “Risk Factors” beginning on page 7 of this Draft Letter of Offer. The following is a discussion of certain other factors that have had and we expect, will have a significant effect on our financial results.

#### *Outlook and drivers for the audio and video content industry*

We propose to focus on our audio and video content production business entailing the production of audio and video content across various genres of drama, music shows, news features, talk shows, events, animation, reality shows and programs related to current affairs for various television channels, including channels owned and operated by the Group. There are two revenue models in practice with regard to audio and video content production.

**Sponsored programs:** The content providers acquire a broadcasting slot from a television channel against payment of telecast fees. The content provider sells airtime to advertisers for broadcasting commercials, whilst retaining the intellectual rights to the program.

**Commissioned programs:** The television channel agrees with the content provider for conceiving and producing a program on behalf of the channel. The content provider is paid a fixed price for producing the program. The channel retains all the intellectual rights to the program and rights to sell and market the commercial airtime associated with the telecast of the program.

For further details on the audio and video content production industry, see the section titled “Industry Overview” beginning on page 73 of this Draft Letter of Offer.

#### *Outlook and drivers for the event management industry*

The revenue model in the event space is variable according to different events. The broad revenue formats that we enter into are described below:

For large format entertainment events, our primary sources of revenues are sponsorship revenues and ticketing revenues. Our costs include all the operating expenses of the event including costs of venue, equipment, payment to entertainers and contract staff..

We undertake business events in two broad formats. We organise events on a reactive basis where a client gives us an events brief and theme, and we organise the event based on a cost plus fixed margin basis. We also organise events such as seminars, conclaves and summits on a pro-active basis where our primary revenues comprise sponsorship revenues and revenues from delegates and participants.

For further details on the event management industry, see the section titled “Industry Overview” beginning on page 73 of this Draft Letter of Offer.

#### *Outlook and drivers for the Indian film industry*

Our Company had launched Studio 18, a full spectrum feature film division in July 2006 to acquire, produce, syndicate and distribute full length feature films. The operations of Studio 18 are proposed to be transferred to

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MTV India pursuant to an agreement entered with Viacom by our Group to form a 50:50 joint venture. For further details, see section titled “Recent Developments” beginning on page 20 of the Draft Letter of Offer.

The revenue streams from Studio 18 business includes sales of distribution rights to third party distributors, exhibition revenues from distribution in certain territories in India and internationally, cable and satellite rights, DVD, home video and internet rights; music rights and income from product placements. The significant heads of expense for Studio 18 business include production and allied costs for feature films and the cost of acquisition of various rights for externally produced full length feature films. Additionally, we have incurred certain administrative, financial and personnel costs for this division.

For further details on the Indian film industry, see the section titled “Industry Overview” beginning on page 73 of this Draft Letter of Offer.

#### *Outlook and drivers for the Indian media industry*

Our primary source of income until Fiscal Year 2007 has been from investments. Since the implementation of the Scheme in September 2006, our Company has invested significantly in the media, entertainment and internet businesses through its investments in TV18, GBN and other companies. For details on the Scheme, see section titled “History and Certain Corporate Matters” beginning on page 96 of this Draft Letter of Offer.

We expect to receive income from these investments which in turn is dependent on the operations, growth and financial performance of these companies.

Our investments are in companies which operate mainly in the television news genre, and their growth is dependent of the success of the news genre. For further details on the Indian entertainment and broadcasting industry, see the section titled “Industry Overview” beginning on page 73 of this Draft Letter of Offer.

The revenues of these companies are primarily derived from their advertising income (which in turn is dependent on advertising rates), and subscription revenues and other revenue streams. The significant heads of expenditure are production and administrative costs and employee costs. The return on our investments from these companies is dependent on their financial performance and their ability to grow their revenues and control expenditures.

We have also invested in Setpro18 Distribution Private Limited which is in the business of distribution of television channels, arranging band placement, seeding of set top boxes within India or abroad and to collect subscription revenues for broadcasters and Home Shop 18 which is an online home shopping service. For further details on these companies, see section titled “History and Certain Corporate Matters” beginning on page 96 of this Draft Letter of Offer.

#### *Government policy and regulation in the broadcasting sector*

The Indian broadcasting industry, especially the news and current affairs genre in which we have significant investments is subject to significant Government regulation. The licenses to uplink news from India provide for specific regulation on the ownership, structure and management. Since some of our revenues accrue from our investments in companies like TV18 and GBN, which are subject to such regulation, our business could also be impacted by regulations in the broadcasting sector.

#### *Competition*

Our results of operations in the future may be affected by the competition in the Indian broadcasting sector, primarily in the news and current affairs genre where companies in which we have significant investments operate. The competition may intensify due to possible new entrants in the market, existing entrants further expanding their operations and the entry of companies in which we have invested into new segments where they may compete with well-established companies. Increased competition may affect the profitability of the companies in which we have invested. We may also face competition in our event management business and audio and video content production business from more established and emerging players.

For further details on our competition, see section titled “Our Business – Competition” beginning on page 95 of this Draft Letter of Offer.

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## Significant Accounting Policies

Significant accounting policies are those that are important to both the portrayal of our financial condition and results of operations. The significant accounting policies adopted in the preparation of our financial statements are:

### *Income Recognition:*

- (i) Dividends on investments are accounted for when the right to receive dividend is established.
- (ii) In case of distribution of motion pictures, revenue is recognised on the date of release of the picture. Overflow from distributors is accounted for recognised on the receipt of information / receipt of funds whichever is earlier.
- (iii) Revenue from other rights to motion pictures, inter alia, satellite rights, home video rights, music rights, is recognised on the date of the agreement for assignment of the above rights.
- (iv) Recognition of revenues uncertain of recovery till the release of the motion picture projects are deferred till such event .

*Fixed Assets:* Fixed Assets are stated at their original cost of acquisition/ installation less depreciation. All direct expenses attributable to acquisition/installation of assets are capitalized. Leasehold improvements are amortised over the lease period.

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

### *Inventory:*

- (i) The Company amortises the cost of motion picture rights acquired or produced by it, on first theatrical release of the movie. The said amortisation is made proportionately on domestic theatrical rights, international theatrical rights, television rights, music rights and video rights, as applicable to each case, based on management estimate of revenues from each of these rights. In case of aforesaid rights being not exploited alongwith or prior to the first theatrical release, proportionate appropriated cost of the said right is carried forward to be written off as and when such right is commercially exploited or at the end of one year from the date of first theatrical release, whichever occurs earlier.
- (ii) Inventory, thus, comprises of unamortised cost of such movie rights alongwith amounts paid for motion pictures under production / in process .
- (iii) Projects in progress are stated at cost , which includes payments made to co producers , directors, writers etc
- (iv) Stock of DVDs / CDs are stated at cost .
- (v) Raw tapes are stated at lower of cost or market value
- (vi) The cost of funds borrowed specifically for the funding of films is inventorised as part of cost of the film. The cost of funds borrowed generally is determined by applying a weighted average capitalization rate to the amount funded for the said film.

*Leases (where the Company is the lessee):* Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

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*Depreciation:* Depreciation is charged on a straight-line basis at rates prescribed by Schedule XIV of the Companies Act, 1956. Leasehold improvements are amortised over the lease period.

*Borrowing Costs:* Borrowing costs are stated net of amounts capitalised over inventories, as per the provisions of Accounting Standard 16, issued by the Institute of Chartered Accountants of India.

*Investments:* Quoted investments are valued at cost or market price whichever is lower while unquoted investments are valued at cost.

*Retirement Benefits:* The company's contribution to employees provident fund is charged to the Profit and Loss account. Gratuity liability is unfunded but provided on the basis of actuarial valuation. Leave encashment is provided on the basis of actuarial valuation.

*Transactions in foreign exchange:* Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date. Exchange differences on foreign exchange transactions other than those relating to fixed assets are recognized in the profit and loss account.

*Provision for Income Tax:* Income tax comprises deferred tax and current tax. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets and liabilities are measured using the tax rate enacted or substantively enacted by the balance sheet date. In absence of taxable income, no provision for tax has been created. Deferred tax assets in respect of losses have not been created in absence of virtual certainty that such assets shall be realized.

#### *Reserve u/s 45IC of RBI Act*

Our Company being a non-banking financial company is required to create a reserve fund and transfer to it a minimum of 20% of its net profit as disclosed in the profit and loss account and before any dividend is declared every year. Further appropriation from this reserve can be made only for purposes as defined by the RBI and any such appropriation needs to be reported to the RBI within 21 days from the date of such withdrawal.

#### *Earnings Per Share*

The Company reports basic and diluted earnings per share in accordance with AS 20 on earnings per share. Basic earnings per equity share have been computed by dividing the net profit (loss) after tax by the weighted average number of equity shares outstanding during the year.

#### *Employee Stock Option Scheme*

Stock options granted to eligible persons under the relevant stock option schemes are accounted for as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by the Securities and Exchange Board of India. Accordingly, the excess of average market value of the shares over the preceding two weeks of the date of issue of shares over the issue price of the shares is recognized as employee compensation and is charged to the profit and loss account, on a straight line basis over the vesting year of the options. The amortised portion of the cost is shown under reserves and surplus.

#### *Employee Stock Purchase Scheme*

Shares issued under the stock purchase schemes are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by the Securities and Exchange Board of India. Accordingly, the excess of average market value of the shares over the preceding two weeks of the date of issue of shares over the issue price is recognized as employee compensation and is charged to the profit and loss account, on the date of issue of shares to the employees.

#### *Employee Stock Awards Plan*

The value of appreciation to be awarded under stock awards plans is accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by the Securities and Exchange Board of India. The appreciation is recognized as a cost in the profit and loss account.

### *Use of estimates*

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of income and expenses during the reporting period. Differences if any, between the actual results and estimates are recognised in the period in which the results are known.

### **Results of Operations**

Historically our revenue, which is referred to herein and in our financial statements as our income, comprised the following:

- Income from investments including premium on redemption of debentures; and
- Income from management services which comprises agency commissions.

Our film division started in July 2006 has contributed to the income for the year ended March 2007.

The largest component of our expenditure is financial charges which include interest on borrowings and other charges related to our borrowings. Other charges include commitment and service charges, and bank charges.

Our non-interest expenses include:

- Administrative expenses comprising among others, insurance, various fees and charges, printing and stationary and vehicle expenses;
- Personnel expenses comprising salaries, ESOP charges, contributions to provident, gratuity and superannuation funds and staff welfare expenses;
- Miscellaneous expenses written off ; and
- Depreciation.

Our extraordinary items include non recoverable amounts written off, deferred revenue expenses written off.

### **Summary Results of Operations**

The following is a summary of the results of our operations derived from our restated financial statements submitted under the section titled “Financial Statements” for the years ended 2005, 2006 and 2007.

*(Rs. in lakhs)*

<b>Particulars</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Income</b>			
Film Business	-	-	760.97
Interest	8.06	-	13.64
From Management Services	0.84	-	-
From investments	9.79	164.95	844.02
<b>Total Income</b>	<b>18.69</b>	<b>164.95</b>	<b>1,618.63</b>
<b>Expenditure</b>			
Film costs	-	-	758.90
Administrative and other costs	22.91	26.96	482.98
Personnel Expenses	1.30	0.95	155.60
Financial Charges	17.77	121.52	329.31
Non cash write offs	0.03	0.04	2.73
ESOP Chargeout	29.31	426.37	1,004.04

<b>Particulars</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Depreciation	0.70	0.73	10.46
Total Expenditure	72.02	576.57	2,744.02
<b>Profit before tax , extraordinary items</b>	(53.33)	(411.62)	(1,125.39)
Non recoverable amounts written off	199.41	-	-
Deferred Revenue expenses written off	-	-	-
<b>Profit before tax</b>	(252.74)	(411.62)	(1,125.39)
<b>Provision for taxation</b>			
Current Tax	-	-	-
Deferred Tax	0.14	0.02	(0.50)
Fringe Benefit tax	-	0.18	3.07
Net profit ( loss) for the period	(252.88)	(411.82)	(1,127.96)
<b>Appropriations</b>			
Profit brought forward	(10.72)	(263.60)	(675.42)
Transfer to reserves u/s 45IC of the RBI Act	-	-	-
Balance profit carried forward	(263.60)	(675.42)	(1,803.38)

#### **Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006**

Our results for the Fiscal Year ended March 31, 2007 were primarily affected by the following factors:

- Pursuant to the Scheme of Arrangement , all persons entitled to Shares under various ESOP / ESPS plans of TV18 , were to be compensated for dilution in their grants by issue of Equity Shares in our Company .An aggregate sum of Rs 1459.72 lakhs relating to such grants and relating to the financial years 2004-05 , 2005-06 and 2006-07 have been charged off .The expense has been computed on the basis of fair market value of the equity shares of TV 18 as on the effective date of the Scheme.
- Our Company, TV18, SGA News and the shareholders and creditors of the aforesaid companies entered into a scheme of arrangement under Sections 391 to 394 of the Companies Act, 1956. The High Court of Delhi by its order dated July 20, 2006 has approved the Scheme, which was subsequently filed with the RoC on September 27, 2006. Pursuant to the Scheme the “Media Investment Undertaking” of TV18 comprising the business activities of undertaking and managing strategic/financial investments in media companies along with all related assets, liabilities, employees etc. has merged into our Company with effect from October 1, 2005 and the “Indian News Business Undertaking” of SGA News comprising the business activities of running the ‘Awaaz’ channel and its equity investments in group companies engaged in the Indian television news space along with all related assets, liabilities, employees etc. has merged with TV18 with effect from November 1, 2005. The remaining business of TV8 and SGA News continues under ownership of TV 18 and SGA News respectively.
- As per the Scheme, for the period between the appointed date, i.e. October 1, 2005 and the effective date, i.e. September 27, 2006, TV 18 was deemed to have been carrying on all business and activities relating to the demerged undertaking on behalf of our Company and all profits accruing to TV 18, or losses arising or incurred by them relating to the demerged undertaking was to be treated as the profits or losses of our Company.TV18 has earned dividends on the aforesaid investments aggregating to Rs 263.30 lakhs during the period between the appointed date and the effective date. Of the said Rs 263.30 lakhs, Rs. 125.25 lakhs was for the period after March 31, 2006 and has been shown as income of the current period ended September 30, 2006.
- In July 2006, our Company launched a film division Studio 18, to acquire, produce, syndicate and distribute feature films. For further details, see the sections titled “Our Business” beginning on page 85 of this Draft Letter of Offer.

- We sold our investments in SGA News Limited to RRB Holdings Private Limited consequent to which SGA News Limited ceased to be our subsidiary.

- **Management Agreements:**

Our Company, RB Investments Private Limited and Mr. Raghav Bahl had entered into a management agreement dated March 30, 2007 pursuant to the above agreement, TV18 has become our subsidiary. Our Company, RVT and TV18 have entered into a management agreement dated March 30, 2007 pursuant to which **GBN** has become our subsidiary. For further details, see section titled “History and Certain Corporate Matters” beginning on page 96 of the Draft Letter of Offer.

**Total Income**

Our total income increased by 881.29% from Rs. 164.95 lakhs in fiscal 2006 to Rs. 1,618.63 lakhs in fiscal 2007.

(Rs. in Lakhs)

Particulars	Year ended March 31,	
	2006	2007
Film Business	0.00	760.97
From Interest	0.00	13.64
Investments	164.95	844.02
<b>Total Income</b>	<b>164.95</b>	<b>1,618.63</b>

**Income:** Our income primarily comprising income from investments and revenues from the Studio 18 division increased by 881.29% from Rs. 164.95 lakhs in fiscal 2006 to Rs. 1,618.63 lakhs in fiscal 2007, reflecting the growth in our operations and profitability of our investments in TV18. Income from our investments increased by 411.68% from Rs. 164.95 lakhs in fiscal 2006 to Rs 844.02 lakhs in fiscal 2007.

**Expenditure:** Total expenses increased by 375.92% from Rs. 576.57 lakhs in fiscal 2006 to Rs. 2,744.02 lakhs in fiscal 2007.

(Rs in lakhs)

Expenditures	Year ended March 31,	
	2006	2007
Film costs	0.00	758.90
Administrative and other costs	26.96	482.98
Personnel Expenses	0.95	155.60
Financial Charges	121.52	329.31
Non cash write offs	0.04	2.73
ESOP Chargeout	426.37	1004.04
Depreciation	0.73	10.46
<b>Total Expenditure</b>	<b>576.57</b>	<b>2744.02</b>

**Film Costs:** Film costs were at Rs 758.90 lakhs reflecting costs incurred on purchase of rights to distribute filmed content. These rights consist of exhibition rights associated with domestic theatres, overseas theatres and rights over revenues through video cassettes, digital video discs, satellite rights and through music CDs.

**Administrative and Other Costs:** Our expenditure on administrative and other costs increased by 1,691.47% from Rs. 26.96 lakhs in fiscal 2006 to Rs. 482.98 lakhs in fiscal 2007. As a percentage of total income, administrative and other costs increased from 16.34 % in fiscal 2006 to 29.84% in fiscal 2007, reflecting admin expenses for films business and also marketing expenses for the film business

**Personnel expenses:** Our personnel and administrative expenses increased by 16,278.95 % from Rs. 0.95 lakhs in fiscal 2006 to Rs. 155.60 lakhs in fiscal 2007 primarily due to expansion of operations in the films and audio visual content space and the consequent recruitment of personnel resulting in an employee strength of 30 as on March 31, 2007.

**Financial charges:** Financial charges related to our borrowings increased by 171.00% from Rs. 121.52 lakhs in fiscal 2006 to Rs. 329.31 lakhs in fiscal 2007. This increase reflects an increase in our total borrowings from Rs 1,800 lakhs in fiscal 2006 to Rs. 6,376.28 lakhs in fiscal 2007, reflecting an increase in secured loans to expand our operations and investments. As a percentage of total income, financial charges decreased from 73.67% in fiscal 2006 to 20.34% in fiscal 2007.

**Non-cash writeoffs:** Non cash writeoffs increased by 6,725% from Rs 0.04 lakhs to Rs 2.73 lakhs on account of write off of non recoverable amounts.

**Depreciation:** Depreciation on our fixed assets increased by 1,332.87% from Rs. 0.73 lakhs in fiscal 2006 to Rs. 10.46 lakhs in fiscal 2007 on account of assets acquired for the Studio 18 division.

**Profit before tax and extraordinary items**

For the reasons stated above, our profit before tax and extraordinary items decreased from Rs. (411.62) lakhs in fiscal 2006 to Rs. (1125.39) lakhs in fiscal 2007.

**Extraordinary Items**

There were no extraordinary items as of fiscal 2007 or as of fiscal 2006

**Profit before tax and after extraordinary items**

For the reasons stated above, our profit before tax and after extraordinary items decreased from Rs. (411.62) lakhs in fiscal 2006 to Rs. (1125.39) lakhs in fiscal 2007.

**Profit After Tax and extraordinary items available for appropriations**

As a result of the foregoing factors, our profit after tax and after extraordinary items decreased from s (411.82) lakhs in fiscal 2006 to Rs. (1127.96) lakhs in fiscal 2007. Our basic earnings per equity share increased from Rs. (8.24) per equity share in fiscal 2006 to Rs. (3.01) per equity share in fiscal 2007.

**Fiscal Year Ended March 31, 2006 Compared to Fiscal Year Ended March 31, 2005**

**Total Income**

Our total income increased by 782.56% from Rs. 18.69 lakhs in fiscal 2005 to Rs. 164.95 lakhs in fiscal 2006.

Particulars	Year ended March 31,	
	2005	2006
Interest	8.06	0.00
From Management Services	0.84	0.00
From Investments	9.79	164.95
<b>Total Income</b>	<b>18.69</b>	<b>164.95</b>

(Rs. in Lakhs)

**Income:** Our total income increased by 782.56 % from Rs. 18.69 lakh in fiscal 2005 to Rs. 164.95 lakhs in fiscal 2006 reflecting the growth in our operations and profitability of our investments. We received a premium on redemption of debentures of Rs. 3.30 lakhs. As per the Scheme, for the period between the appointed date, i.e. October 1, 2005 and the effective date, i.e. September 27, 2006, TV 18 was deemed to have been carrying on all business and activities relating to the demerged undertaking on behalf of our Company and all profits accruing to TV 18, or losses arising or incurred by them relating to the demerged undertaking was to be treated as the profits or losses of our Company. TV18 has earned dividends on the aforesaid investments aggregating to Rs 263.30 lakhs during the period between the appointed date and the effective date. Of the said Rs 263.30 lakhs, Rs. 138.05 lakhs was dividend on mutual funds forming part of the investments transferred from TV18 for the period ended March 31, 2006. For further details, see section titled 'History and Certain Coprorate Matters' beginning on page 96 of this Draft Letter of Offer.

### **Expenditure**

Total expenses (including depreciation) increased by 700% from Rs. 72.02 lakhs in fiscal 2005 to Rs. 576.57 lakhs in fiscal 2006. As a percentage of our total income, our expenditure reduced to 349.54% in fiscal 2006 compared to 385.34% in fiscal 2005.

(Rs. in Lakhs)

Expenditures	Year ended March 31,	
	2005	2006
Administrative and other costs	22.91	26.96
Personnel Expenses	1.30	0.95
Financial Charges	17.77	121.52
Non cash write offs	0.03	0.04
ESOP Chargeout	29.31	426.37
Depreciation	0.70	0.73
<b>Total Expenditure</b>	<b>72.02</b>	<b>576.57</b>

**Administrative and Other Costs:** Our expenditure on administrative and other costs increased by 17.68% from Rs.22.91 lakhs in fiscal 2005 to Rs. 26.96 lakhs in fiscal 2006 primarily on account of filing fees payable on account of an increase in authorised share capital.

**Personnel expenses:** Our personnel and administrative expenses decreased by 26.92% from Rs.1.30 lakhs in fiscal 2005 to Rs. 0.95 lakhs in fiscal 2006 primarily due to reduction in the number of employees

**Financial charges:** The primary component of our expenditure was financial charges, which increased by 583.85 % from Rs. 17.77 lakhs in fiscal 2005 to Rs. 121.52 lakhs in fiscal 2006. This increase reflects a 1,069.97% increase in our total borrowings from Rs. 153.85 lakhs in fiscal 2005 to Rs. 1,800.00 lakhs in fiscal 2006, to finance the growth in our investment activities.

**Depreciation:** Depreciation on our fixed assets increased marginally from Rs. 0.70 lakhs in fiscal 2005 to Rs. 0.73 lakhs in fiscal 2006.

### **Profit before tax and extraordinary items**

For the reasons stated above, our profit before tax and extraordinary items decreased from Rs. (53.33) lakhs in fiscal 2005 to Rs. (411.62) lakhs in fiscal 2006.

### **Extraordinary Items**

In fiscal 2006, there were no extraordinary items, as compared with the extraordinary items in fiscal 2005 which comprised a write-off of non recoverable amounts of Rs. 199.41 lakhs.

### **Profit before tax and after extraordinary items**

For the reasons stated above, our profit before tax and after extraordinary items increased from Rs.(252.74) lakhs in fiscal 2005, to Rs. (411.62) lakhs in fiscal 2006.

### **Profit After Tax and extraordinary items available for appropriations**

As a result of the foregoing factors, our profit after tax including extraordinary items net of tax decreased increased from Rs (252.88) lakhs in fiscal 2005 to Rs. (411.82) lakhs in fiscal 2006. Our basic earnings per equity share decreased from Rs. (5.06) per equity share in fiscal 2005 to Rs. (8.24) per equity share in fiscal 2006.

### **Financial Condition**

The following table sets forth the net assets as of March 31, 2005 and 2006 and March 31, 2007:

(Rs. in lakhs)

Particulars	As of March 31,		
	2005	2006	2007
Total assets	1,429.73	5,213.06	40110.02
Total liabilities	191.05	2279.00	7624.91
<b>Net Assets</b>	<b>1,238.68</b>	<b>2,934.06</b>	<b>32,485.11</b>

Our net assets, which we define as our total assets less our total liabilities, increased by 136.87% from Rs. 1,238.68 lakhs as of March 31, 2005, to Rs. 2,934.06 lakhs as of March 31, 2006. Our net assets were Rs. 32,485.11 lakhs as of March 31, 2007 representing an increase of 1007.17% over net assets as of March 31, 2006.

#### Assets

The following table sets forth the principal components of our assets as of March 31, 2005 and 2006 and March 31, 2007:

(Rs. in lakhs)

Particulars	March 31,2005	March 31,2006	March 31,2007
<b>Assets</b>			
Fixed Assets - Gross Block	7.35	8.01	113.71
Less: Depreciation	1.24	1.97	12.43
Net Block	6.11	6.04	101.28
Investments	970.09	4,698.65	35,294.46
<b>Current Assets</b>			
Inventory	-	-	2,560.31
Sundry Debtors	2.29	-	462.1
Cash and Bank balances	2.65	170.66	1,477.41
Loans and Advances	448.59	337.71	214.46
Total Current Assets, Loans and Advances	453.53	508.37	4,714.28
<b>Total Assets</b>	<b>1,429.73</b>	<b>5,213.06</b>	<b>40,110.02</b>

Our total assets increased by 264.62% from Rs. 1,429.73 lakhs as of March 31, 2005 to Rs. 5,213.06 lakhs as of March 31, 2006. The most significant element of this increase was a 384.35% increase in investments, due to growth in our business and restructuring of the Group. For details on the Scheme see sections titled "History and Certain Corporate Matters" beginning on page 96 of this Draft Letter of Offer.

Our total assets were Rs.40,110.02 lakhs as of March 31, 2007 which was an increase of 669.41% to the total assets as on March 31, 2006.

#### Liabilities

The following table sets forth the principal components of our liabilities as of March 31, 2005 and 2006 and March 31, 2007:

(Rs. in lakhs)

Particulars	As of March 31,		
	2005	2006	2007
Secured Loans	100.00	1,800.00	6376.29
Unsecured Loans	53.85	0.00	0.00
Current Liabilities and Provisions	37.2	479	1,248.62
<b>Total liabilities</b>	<b>191.05</b>	<b>2,279.00</b>	<b>7,624.91</b>

Our total liabilities increased by 1,092.88% from Rs. 191.05 lakhs as of March 31, 2005 to Rs. 2,279 lakhs as of March 31, 2006. This consisted mainly of a 1,069.97% increase in our secured and unsecured loans taken to expand our investment activities. Our total liabilities were Rs. 7,624.91 lakhs as of March 31, 2007 which was an increase of 234.57% over our total liabilities as of March 31, 2006. This increase was due to higher borrowings taken to expand our investment activities and operations.

### Capital Resources

The following are the funding patterns for our operations:

(Rs. in lakhs)

Particulars	Fiscal		
	2005	2006	2007
<b>Equity Share capital</b>	<b>500.00</b>	<b>500.00</b>	<b>2,543.17</b>
<b>Share Capital Pending allotment</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Preference Share Capital	1000.00	2040.10	0.00
Share Application Money Received	0.00	92.20	0.00
Securities Premium	0.00	974.90	32,426.57
Reserve u/s 45IC of RBI Act	2.28	2.28	2.28
Surplus as per Profit and Loss account , as restated	(263.60)	(675.42)	(1803.38)
Miscellaneous expenditure not written off	0.00	0.00	683.53
<b>Shareholders funds</b>	<b>1,238.68</b>	<b>2,934.06</b>	<b>32,485.11</b>
<b>Loan Funds</b>	<b>153.85</b>	<b>1,800.00</b>	<b>6,376.28</b>
Secured Loans	100.00	1,800.00	6,376.28
Unsecured Loans	53.85	0.00	0.00
<b>Total</b>	<b>1,392.53</b>	<b>4,734.06</b>	<b>38,861.39</b>

*Shareholders' funds:* As of March 31 2007, our total shareholders' funds were Rs. 32485.11 lakhs consisting primarily of share capital of Rs. 2543.17 lakhs, securities premium of Rs. 32426.57 lakhs and reserve under section 45IC of RBI Act of Rs. 2.28 lakhs.

*Loan Funds:* Loan funds have increased from Rs. 153.85 lakhs as of March 31, 2005 to Rs. 1,800.00 lakhs as of March 31, 2006 and Rs. 6,376.28 lakhs as of March 31, 2007.

### Impact of Restructuring on our Financial Condition as at March 31, 2007

- The Media Investment Undertaking of Television Eighteen India Limited (TV18) comprising the business activity of undertaking and managing strategic/financial investments in media companies along with the related assets , liabilities ,employees including investment in group companies engaged in Television News Space , Preference Capital Investment in Network 18 Fincap Limited and other identified liquid assets ( detailed in (c) below ) , shall be transferred at book value to Network 18 Fincap Limited (Network 18) from the appointed date of October 1,2005.

- b. In exchange for the said transfer Network 18 issued 12 Equity Shares of Rs 5/- each , to all Shareholders of TV 18 , for every 10 Equity shares of Rs 10/- each ,held by that Shareholder in TV 18 . Since Network 18 already held Equity shares in that Company , pursuant to the above mentioned Demerger Scheme , no shares were issued by Network 18 to itself.
- c. The assets actually transferred to the company , from that approved by the court have differed., but the aggregate transfer is for the approved amount .

<b>Particulars ( Rs million)</b>	<b>Actual transfer</b>
Equity Shares in SGA News Limited	391.00
Equity Shares in SRH Broadcast News Holdings P Ltd	197.00
Preference Shares – Network 18 Fincap Ltd	201.50
Preference Shares in SGA News Ltd	0.00
Share Application Money – Global Broadcast News Ltd	0.00
Share Application Money – TV 18 Holdings Ltd , (( Now Network18 Holdings Ltd , (Cayman Islands))	67.90
Cash and cash equivalents	664.32
<b>Total</b>	<b>1521.72</b>

- d. As per the scheme , for the period between the appointed date and the effective date, TV 18 shall be deemed to have been carrying on all business and activities relating to the demerged undertaking on behalf of Network 18 Fincap Limited and all profits accruing to the Transferor Company ,or losses arising or incurred by them relating to the Demerged Undertaking shall be treated as the profits or losses of Network 18 Fincap Limited.
- e. TV18 has earned dividends on the aforesaid investments aggregating to Rs 26.33 million during the period between the appointed date and the effective date. Of the said 26.33 million , Rs 13.81 million pertains to the period starting from the appointed date and ending on March 31,2006 and has been adjusted as a credit balance in the Profit and Loss account. The remaining has been shown as income of the current period.
- f. Transfer to a Trust of 10.56% of the fully diluted Equity Capital of Network 18 Fincap Limited, as required by the Scheme was given effect to on November 15,2006 .

## Liquidity and Capital Resources

### Cash flows

As of March 31, 2007, we had cash and cash equivalents of Rs. 1,477.41 lakhs. As of March 31, 2006, we had cash and cash equivalents of Rs. 170.66 lakhs compared to Rs. 2.65 lakhs and Rs. 0.25 lakhs as of March 31, 2005 and 2004, respectively.

Notwithstanding the non cash nature of certain transactions with TV 18 in pursuance of the Scheme, the same have been depicted in the cash flow statements as cash items purely to highlight the same. For further details see section titled 'Financial Statements - Annexure III – Cash Flow Statements' of the Auditors Report beginning on page 163 of this Draft Letter of Offer.

(Rs .in lakhs)

<b>Particulars</b>	<b>Fiscal</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Net cash flow from (used in) operating activities including loan disbursements less repayments	58.82	265.4	(2,917.73)
Net cash flow from (used in) lending and investment activities	(692.5)	(3,729.22)	(30,701.51)

Particulars	Fiscal		
	2005	2006	2007
Net cash flow from (used in) financing activities	636.08	3,631.83	34,925.99
<b>Net cash and cash equivalents at the end of the year</b>	<b>2.65</b>	<b>170.66</b>	<b>1,477.41</b>

***Cash flow used in operations:***

For the period ended March 31, 2007, we had a net cash flow from operating activities of Rs.(2,917.73) lakhs. For the fiscal year ended March 31, 2006, we had a net cash flow from operating activities of Rs. 265.40 lakhs compared to Rs. 58.82 lakhs for the period ended March 31, 2005.

***Cash flow from/(used in) investing activities:***

For the period ended March 31, 2007, we had a net cash flow from investing activities of Rs.(30,701.51) lakhs. For the fiscal year ended March 31, 2006, we had a net cash flow from investing activities of Rs. (3,729.22) lakhs compared to Rs. (692.50) for the period ended March 31, 2005

***Cash flow from financing activities:***

For the period ended March 31, 2007, we had a net cash flow from financing activities of Rs. 34925.99 lakhs. For the fiscal year ended March 31, 2006, we had a net cash flow from financing activities of Rs. (3,631.83) lakhs compared to Rs. 636.08 lakhs for the period ended March 31, 2005.

**Segment Results**

In July 2006, our Company launched a film division Studio 18, to acquire, produce, syndicate and distribute feature films. With our entry into the films business, our Company had entered a new business segment. For details of our segment results, see section titled “Financial Statements – Annexure IV: Significant Accounting Policies and Notes to Financial Statements beginning on page 165 of this Draft Letter of Offer.

**Off-Balance Sheet Arrangements and Financial Instruments**

***Contingent Liabilities***

The following table sets forth the principal components of our contingent liabilities as of March 31, 2005, 2006 and 2007.

Particulars	<i>(Rs. in lakhs)</i>		
	Fiscal 2005	Fiscal 2006	Fiscal 2007
In respect of investments pledged to secure the loans of a Director	87.77	74.61	5,386.30
In respect of premises taken on lease and sub leased.	0.00	508.83	273.98
In respect of corporate guarantees given to Banks in connection with credit facilities extended to Subsidiaries	0.00	0.00	13,400.00
<b>Total</b>	<b>87.77</b>	<b>583.44</b>	<b>19,060.28</b>

***Capital Expenditure***

Our business, being largely in the nature of an investment company has not in the past required, and is not in the future expected to require, substantial capital expenditure. Our fixed assets of Rs. 101.28 lakhs (net) as of March 31, 2007 consists mainly of improvement to leasehold premises, computers and a vehicle

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## **Significant Developments after March 31, 2007 that may affect the future of our operations**

Since March 31, 2007, the following significant events have occurred. We anticipate that each of these events may have an impact on our financial condition and results of operations in future fiscal periods.

- **Strategic Alliance Agreement with Viacom:** Our Company has entered into a share subscription agreement and a shareholders agreement dated May 22, 2007, to create a 50-50 joint venture with Viacom. As per the terms of the arrangement, our Company has also entered into a business transfer agreement dated September 15, 2007, pursuant to which our Company proposes to transfer the film business, on a slump sale basis to MTV India for a consideration of US\$ 4,50,000. For further details, see section titled “Recent Developments” beginning on page 20 of the Draft Letter of Offer.
- **Assignment Deed with Braxfield:** Our Company has invested GBP 10 million constituting 18.18% of the paid up capital of The Indian Film Company (Guernsey) which is a listed company on the Alternative Investment Market of the London Stock Exchange. Further, our Company has also entered into a Assignment Agreement dated April 19, 2007 with The Indian Film Company (Cyprus) Limited (a wholly owned subsidiary of The Indian Film Company (Guernsey)), pursuant to which our Company assigned all its rights with respect to contracts our Company had entered into pertaining to the film business including co-production and distribution contracts along with a right of first refusal with respect to all future contracts originated by “Studio 18”. Pursuant to the terms of this agreement, our Company has received a payment of £3.48 million as consideration.
- Our Company is extending its focus to audio and video content development primarily for television, which was originally a primary activity of TV 18. Our proposed audio and video content venture will focus on producing audio and video content across various genres of drama, music shows, news features, talk shows, events, animation, reality shows and programs related to current affairs for various television channels, including channels owned and operated by the Group.
- In June 2007, our Company has also recently announced a foray into event management, with the launch of “E-18”, which would operate as our event management division. E-18 would operate in the live entertainment space, by conceptualising and staging large format events, such as concerts by international and Indian artists, award functions, large format business conferences, conclaves and seminars.
- In August 2007, our subsidiary Network 18 India Holdings Limited was incorporated.
- Network 18 India Holdings has conveyed its intention to subscribe to a preferential allotment of 50,00,000 warrants of TV 18 convertible into equity shares at a price of Rs. 796 per warrant through a letter dated September 5, 2007. The board of directors of TV 18 has approved the preferential allotment on September 7, 2007, subject to the approval of the shareholder’s expected on October 6, 2007.
- Network 18 India Holdings has conveyed its intention to subscribe to a preferential allotment of 30,00,000 warrants of GBN convertible into equity shares at a price of Rs. 888 per warrant through a letter dated September 7, 2007. The board of directors of GBN has approved the preferential allotment on September 7, 2007 subject to the approval of the shareholder’s pursuant to a postal ballot process expected to be announced on October 13, 2007.

## **Analysis of Certain Changes**

### **Unusual or infrequent events or transactions**

To our knowledge there have been no unusual or infrequent events or transactions that have taken place during the last three years, except as disclosed as extraordinary items and fixed assets in this section and the Scheme as discussed in this section and the Notes to the Accounts forming a part of the Re-stated Financial Statements of our Company in the section titled “Financial Statements”.

### **Known trends or uncertainties**

Our business has been impacted and we expect will continue to be impacted by the trends identified above in “Factors Affecting our Financial Results” and the uncertainties described in the section titled “Risk Factors”

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beginning on page 7 of this Draft Letter of Offer. To our knowledge, except as we have described in this Draft Letter of Offer, there are no known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

**Seasonality of business**

Our business is not affected by any seasonal changes.

**Increase in our revenue**

In addition to increase in the volume of our lending and investing activities, the introduction of new products and services in the ordinary course of business would also contribute to increase in our revenue.

**Significant Regulatory Changes**

Except as described in the section titled “Regulations and Policies” beginning on page 121 , there have been no significant regulatory changes that could affect our income from continuing operations.

**Future relationship between expenditure and revenues**

Except as described in “Risk Factors”, “Our Business”, “Management’s Discussion and Analysis” beginning on pages viz 7, 85 and 279 of this Draft Letter of Offer respectively, to the best of our knowledge, there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

**Dependence on single or few customers**

We are not dependant on any particular customer.

**Competitive conditions**

We face competition in the audio and video content, event management and media businesses. See “Our Business - Competition” on page 95 of this Draft Letter of Offer.

## OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPEMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoter and our Promoter group companies that would have a material adverse effect on our business and there are no defaults, non payment or overdue of statutory dues, institutional / bank dues and dues payable to holders of debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company or Directors or Promoter or our Promoter group as of the date of this Draft Letter of Offer.

### 1. Litigation

#### 1.1 *Contingent liabilities not provided for as of March 31, 2007*

Our contingent liabilities / claims not acknowledged as debt as of March 31, 2007 are as follows:

Particulars	(In Rs. lakhs)		
	Fiscal 2005	Fiscal 2006	Fiscal 2007
In respect of investments pledged to secure the loans of a Director	87.77	74.61	5,386.30
In respect of premises taken on lease and sub leased.	0.00	508.83	273.98
In respect of corporate guarantees given to Banks in connection with credit facilities extended to Subsidiaries	0.00	0.00	13,400.00
<b>Total</b>	<b>87.77</b>	<b>583.44</b>	<b>19,060.28</b>

### I. Litigation against our Company

#### 1. *Mr. Victor Fernandes and Others v. Mr. Raghav Bahl and Others*

Ms. Victor Fernandes and other (“plaintiffs”) have on August 25, 2006 filed a suit bearing no. 2709 of 2006 as derivative action on behalf of e-Eighteen.com Private Limited before the High Court of Bombay against Mr. Raghav Bahl, our Company and others. The plaintiffs are minority shareholders of e-Eighteen.com Private Limited and have alleged that Mr. Raghav Bahl, TV18, ICICI Global Opportunities Fund and e-Eighteen.com Private Limited had entered into a subscription cum shareholders agreement dated September 12, 2000 under which Mr. Raghav Bahl and TV18 had *inter alia* undertaken that any opportunity offered to them shall only be pursued or taken up through e-Eighteen.com Private Limited or its wholly owned subsidiary. The plaintiffs have alleged that Mr. Raghav Bahl and TV18 have promoted and developed various businesses through various entities which should have under the aforesaid agreement rightfully been undertaken by e-Eighteen.com Private Limited or its wholly owned subsidiaries. The plaintiffs have alleged that by not doing so Mr. Raghav Bahl and TV18 have caused monetary loss to e-Eighteen Private Limited as well as to the plaintiffs. The plaintiffs have valued their claim in the suit at Rs. 3,014.12 crores and Rs. 99.94 crores and have *inter alia* prayed that Mr. Raghav Bahl, our Company and others be ordered to transfer to e-Eighteen Private Limited all their businesses, activities and ventures along with all assets and intellectual property. The plaintiffs on September 18, 2006 had filed a notice of motion no. 3232 of 2006 in suit no. 2709 of 2006 seeking ad interim relief. A reply has been filed with the Bombay High Court on November 14, 2006. The matter is currently pending. The next date of hearing is scheduled on September 27, 2007.

#### 2. *Ms. Urmi Juvekar Chiang v. Global Broadcast News Limited and Network 18 Fincap Private Limited*

Ms. Urmi Juvekar Chiang, an Indian inhabitant, claiming to be a script writer has filed a suit (Suit Lodging No. 1467 of 2007) in the High Court of Judicature at Bombay against Global Broadcast News Limited and Network 18 Fincap Limited claiming that CNN-IBN has infringed copyright in her concept notes of a TV programme and committed breach of confidentiality by launching its ‘Summer Showdown’ show which is allegedly copied from her concept notes. Ms. Chiang is claiming Rs. 500,000 as damages in the suit. The Court has granted ad-interim relief in her favour pursuant to which

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the last two episodes of Summer Showdown have not been broadcast. The interim relief application is yet to be disposed of and a date of hearing of the interim relief application is to be fixed.

## **II. Litigation against our Subsidiaries**

### **TV18**

#### **1. Notice from the Government of India**

TV18 has received a notice dated March 9, 2006 from the Department of Telecommunications, Ministry of Communications and Information Technology, Government of India seeking an explanation/clarification *inter alia* in relation to the following:

- (a) whether permission had been granted by the MIB for up linking of channel 'Broadcast News' from the teleport of TV18;
- (b) clarification relating to the licensed teleport through which the television channel Awaaz is being up linked;
- (c) clarification relating to whether both the teleports of TV18 at New Delhi and Noida were operating during the period December 17, 2005 and January 24, 2006 and whether up linking of television channel South Asia World had been shifted prior to the grant of MIB approval in this regard; and
- (d) other information in relation to the teleports of TV18 located at Noida and New Delhi including the sources and details of equipments used for the teleports, endorsement by TV18 of any television channel in their wireless teleport license at Noida and details of all television channels being up linked from the Noida teleport.

TV18 has through a letter dated May 3, 2006 replied to the abovementioned notice and has received no further communications from the MIB in this regard.

#### ***Nicholas Piramal India Limited v. Television Eighteen India Limited and others***

Nicholas Piramal India Limited has filed a suit no. 1727 of 2007 against Television Eighteen India Limited and others on June 19, 2007 before the High Court of Judicature, Bombay in relation to broadcast of a story titled "Maut Ki Dawa" on IBN7. The plaintiff has alleged that the contents of the programme broadcast by IBN7 in relation to a life saving medicine manufactured by the plaintiff under the brand name of "Haemaccel" are baseless, false and misconstrued. The plaintiff has *inter alia* prayed for a decree of permanent injunction restraining the defendants from further publishing the telecast of the said programme, decree of payment of Rs. 26 crores together with interest at 12% per annum, direction to the defendants to retract the story and issue an apology. The plaintiff has also prayed for interim and ad interim relief restraining the defendants from publishing the telecast of the said programme till the final disposal of the suit and also retraction of the story and issuance of apology.

#### **2. Income Tax cases**

There are six income tax cases pending against TV18, the details of these are as follows:

- (a) Assessment Year 2004-2005

The Income Tax department has passed an assessment order dated December 28, 2006 against TV18 alleging that TV18 has in its disclosed income for the assessment year 2004-2005 erroneously excluded a sum of Rs. 3,50.31 million while computing the operating profits, as the same did not reflect certain income from arms length transaction as per the transfer pricing norms. The assessment order makes an additional demand of Rs. 43.02 million. TV18 has filed an appeal dated January 24, 2006 before the CIT (Appeals), Delhi challenging the assessment order. The matter is currently pending adjudication.

- (b) *Assessment Year 2003 -2004*

The Income Tax department has passed an assessment order dated March 20, 2006 under Section 143(3) of the IT Act on the ground that the transfer pricing officer while determining

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'arms length' price under Section 92 CA (3) of the IT Act has concluded that the assessee company had erroneously excluded a sum of Rs. 825.00 lakhs while computing the operating profits. The assessment order states that interest shall be charged under Section 234B of the IT Act and that proceedings shall be initiated separately for furnishing inaccurate particulars of income. TV18 has filed an appeal dated April 20, 2006 before the CIT (Appeals) challenging the assessment order and the order of the transfer pricing officer. The matter is pending adjudication before CIT (Appeals) and an amount of Rs. 14.76 million has been paid by the Company on February 21, 2007. The next date of hearing is scheduled on October 16, 2007.

(c) *Assessment Year 2002 -2003*

The Income Tax department has passed an assessment order dated March 21, 2005 under Section 143(3) of the IT Act, 1961 enhancing the total income of the assessee company by Rs. 54.00 lakhs as the transfer pricing officer while determining 'arms length' price under Section 92 CA (3) of the IT Act has determined the arms length price of international transactions of the assessee company to be Rs. 134.70 lakhs. Further, a notice under Section 156 of IT Act has also been issued to the assessee company seeking explanation as to why penalty should not be imposed under Section 271 of the IT Act. TV18 has filed an appeal dated April 18, 2005 before the CIT (Appeals) challenging the assessment order and the order of the transfer pricing officer. The matter is pending adjudication before CIT (Appeals).

(d) *Assessment Year 1998 - 1999*

The Income Tax department has passed an assessment order dated March 26, 2001 under Section 143(3) of the IT Act, 1961. The gross total income as per return filed by the assessee company is a loss of Rs. 71.60 lakhs whereas as per the assessment order the total taxable income is computed as Rs. 7.50 lakhs. The assessee company had filed an appeal before CIT (Appeals) on April 20, 2001, which partly allowed the appeal. The assessee company had filed an appeal dated July 10, 2002 before the ITAT. The ITAT has through an order dated April 20, 2006, partly allowed the appeals filed by both parties. The loss claimed by the assessee company was reduced. The Income Tax department has filed an appeal before the High Court of Delhi. The matter is pending adjudication. The next date of hearing is scheduled on October 22, 2007.

(e) *Assessment Year 1997 - 1998*

The Income Tax department has passed an assessment order dated October 25, 2000 under Section 143(3) of the IT Act, 1961 computing the company's total taxable income to be Rs. 357.70 lakhs. The assessee company had filed an appeal before CIT (Appeals), which had partly allowed the appeal. The assessee company and the Income Tax department filed an appeal dated July 10, 2002 before the ITAT. The ITAT has through orders dated July 15, 2005 and March 17, 2006, partly allowed the appeals filed by both parties. The Income Tax department has filed an appeal before the High Court of Delhi. The matter is pending adjudication and is listed for hearing on October 22, 2007.

3. ***Civil Defamation Case***

Jermyn Capital Partners PLC and Mr. Dharmesh Doshi have filed a suit against TV18 in the High Court of Justice, London, Queen's Bench Division (Claim No. HQ05X03713) claiming damages in excess of £ 300,000 for libel and an injunction in connection with allegedly defamatory comments published on a website. The claimants have claimed that in their natural and ordinary meaning and/or by innuendo, the words published on the web site implied that the claimants have been knowingly assisting Mr. Ketan Parekh to evade an order banning him from trading on the Indian stock market imposed by SEBI by secretly transacting business on his behalf and that the claimants had been reported to the UK regulatory authorities by SEBI for appropriate action.

In this connection TV18 was served a notice on January 12, 2006, from the claimants and an apology was published, the format and content of which was not satisfactory to the claimants. The parties to the suit have entered into an out of court settlement, final affirmataion of which is awaited from the court.

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4. **Labour cases**

- (a) Mr. Subhash Kumar Gupta has filed a case before the Third Labour Court, Mumbai contending that his services have been terminated illegally and that no termination notice or any wage in lieu thereof were paid to him. Mr. Gupta has demanded reinstatement of services with full back wages. The matter is pending adjudication before the Third Labour Court, Mumbai.
- (b) Mr. Harkesh Chauhan has filed a case before the Labour Court, Karkardooma, New Delhi contending that his services have been terminated illegally. Mr. Chauhan has demanded reinstatement of services with full back wages. The matter is pending adjudication before the Labour Court, Karkardooma, New Delhi.

5. **Civil Suit**

***Mr. Victor Fernandes and Others v. Mr. Raghav Bahl and Others***

The plaintiffs have on August 25, 2006 filed a suit bearing no. 2709 of 2006 as derivative action on behalf of e-Eighteen.com Private Limited before the High Court of Bombay against Mr. Raghav Bahl and others including TV18. The plaintiffs are minority shareholders of e-Eighteen.com Private Limited and have alleged that Mr. Raghav Bahl, TV18, ICICI Global Opportunities Fund and e-Eighteen.com Private Limited had entered into a subscription cum shareholders agreement dated September 12, 2000 under which Mr. Raghav Bahl and TV18 had *inter alia* undertaken that any opportunity offered to them shall only be pursued or taken up through e-Eighteen.com Private Limited or its wholly owned subsidiary. The plaintiffs have alleged that Mr. Raghav Bahl and TV18 have promoted and developed various businesses through various entities which should have under the aforesaid agreement rightfully been undertaken by e-Eighteen.com Private Limited or its wholly owned subsidiaries. The plaintiffs have alleged that by not doing so Mr. Raghav Bahl and TV18 have caused monetary loss to e-Eighteen Private Limited as well as to the plaintiffs. The plaintiffs have valued their claim in the suit at Rs. 3,014.12 crores and Rs. 99.94 crores and have *inter alia* prayed that Mr. Raghav Bahl, our Company and others be ordered to transfer to e-Eighteen Private Limited all their businesses, activities and ventures along with all assets and intellectual property. The plaintiffs on September 18, 2006 had filed a notice of motion no. 3232 of 2006 in suit no. 2709 of 2006 seeking ad-interim relief. A reply has been filed with the Bombay High Court on November 14, 2006. The matter is currently pending. The next date of hearing is scheduled on September 27, 2007.

***Acharya Promod Shree and others v. the Union of India and the Editors in Chief of CNN-IBN TV, IBN 7 TV, TV 18 and others***

Acharya Promod Shree, Mahamandaleshwar Mahayogi Kapil Adwait Pilot Baba and Mahamandaleshwar Swami Pragyand Ji Maharaj have filed three separate writ petitions (CWPs No. 283, 290 and 291 of 2007 respectively) against the Union of India and the Editors in Chief of CNN-IBN TV, IBN 7 TV, TV 18 and others, alleging that the respondents have violated the petitioners' fundamental rights under the Constitution of India to equality, privacy and freedom of speech, through unauthorized private sting operations conducted to serve vested interests and with the intention of carrying out blackmail, collecting advertisement money or taking benefit of increased TRPs. The petitioners have sought directions, *inter alia*, (a) to the respondents to stop and withdraw all telecasts or releases of the impugned programme "*Mayajal Sadhu Sant*" "*Maya Ka Mayajal*", on the TV channels, websites, or other electronic or print media of the respondents, their agents, partners and collaborators, (b) requiring the respondents to investigate the genuineness of the recordings to ascertain whether the same have been edited or tampered with, and (c) canceling the broadcasting licences of the respondents. The matter is currently pending.

***Shri Ajay Srivastava (plaintiff) v. Total TV Channel, Television Eighteen (TV-18) Indian Limited and others***

Mr. Ajay Srivastava has filed a civil suit (CS (OS) No. 859 of 2007) on May 11, 2007 against Total TV Channel, TV Today Network, Star News, Zee Tele Films Limited, New Delhi Television Limited, Independent News Services Private Limited, Television Eighteen (TV-18) Indian Limited, Senior India Group i.e. Senior Media Limited, Sahara India Complex Studio and others. Mr. Srivastava bought a

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property through a public auction from Mr. Dawood Ibrahim and his sister at Mumbai and filed an eviction suit against them. Subsequently, he received threatening calls from Mr. Ibrahim and others. He was provided with police security as Mr. Srivastava used to travel to Mumbai extensively for appearing in the eviction suit pending at Mumbai.

Total TV telecasted a story which had derogatory statements about Mr. Srivastava and also stated that Mr. Srivastava is an extortionist in his private life. Mr. Srivastava has alleged that such telecast was done at the instances of Dawood Ibrahim and his agents. Mr. Srivastava also alleged that later other channels including TV 18 planned to telecast a news-story in the same line. He has prayed to the Delhi High Court to order (i) the defendants to stop from such malicious telecast, (ii) the defendants to pay Rs.10,000,000. TV 18 (defendant no. 7) has filed a written statement for dismissing the suit for failing to disclose any cause of action against the defendant no. 7. The next date of hearing of the suit is scheduled on November 29, 2007.

## **Global Broadcast News Limited**

### **1. Notices received**

- (a) The Global Broadcast News Limited has received a show cause notice dated March 28, 2007 from Director (Broadcasting Content), Ministry of Information and Broadcasting, Government of India, asking them to explain an allegedly “unsuitable news item” telecast on CNN IBN on January 24, 2006.

The show cause notice was duly responded to and representatives of GBN explained the matter to the Ministry in a personal hearing on April 17, 2007.

- (b) The Global Broadcast News Limited has received notice dated April 12, 2007 from Zanger Bewegt, Advocates, Vienna, Austria, on behalf of their client, Ms. Eva-Maria Painer, alleging violation of copyright by publishing certain photographs without permission on www.ibnlive.com. The notice demanded deletion of the photographs, an undertaking not to publish them again without consent and damages.

The notice was duly responded to on April 25, 2007. On May 16, 2007 a fax was received from Zanger Bewegt in German. Immediately, a fax and an email were sent to them asking them to send the communication in English. No response has since been received.

- (c) Notice dated April 14, 2007 received from Agarwal Law Associates, Advocates, New Delhi on behalf of their clients, Mr. Anil D. Ambani and BSES Rajdhani Limited addressed to Television Eighteen India Limited and others alleging defamation of their clients on a telecast on CNN IBN. The notice demanded an apology, withdrawal of the alleged defamatory allegations and damages.

The notice was duly responded to on April 26, 2007.

- (d) GBN has received legal notice dated January 4, 2006 from NAFED in relation to news reports about misuse of Rs. 3,600.00 crores by the said organisation. The notice alleges that GBN has contravened the ‘programme code’ by telecasting defamatory imputations, suggestive innuendos and half truths. GBN has through a letter dated January 17, 2006 denied all allegations raised in the legal notice. NAFED has through a letter dated January 25, 2006 claimed an amount of Rs. 500.00 crores on account of damages and has threatened to initiate legal proceedings against GBN. GBN has also received legal notice dated January 4, 2006 from Mr. Homi Rajvansh, additional managing director, NAFED in relation to the same matter. The company has through a letter dated January 17, 2006 denied all allegations raised in the legal notice.

- (e) The company has received legal notice dated February 28, 2006 from Mr. Abhishek Verma in relation to an allegedly defamatory news item broadcast by the company requiring the company to immediately cease and desist from authoring/writing, editing, publishing, printing and/or disseminating through the internet or otherwise the said news item, tender and publish unconditional apology and Rs. 0.25 crores as damages. The company has through a letter

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dated March 6, 2006 denied all allegations raised in the legal notice.

- (f). GBN has received legal notice dated March 6, 2006 from the Ms. Mayawati in relation to an allegedly defamatory news item broadcast by the company. The complainant has claimed an amount of Rs. 10.00 crores as damages and has sought information from the company relating to ownership and shareholding of our the company and properties/ assets owned by such persons. The company has denied the allegations through letters dated March 17, 2006.
- (g). GBN has received legal notice dated March 29, 2006 from Mrs. Ajanta Mohapatra who has sought Rs. 0.05 crores as damages in relation to an allegedly defamatory news item broadcast by the company. The company has denied all allegations through a letter dated May 28, 2006.
- (h). GBN has received legal notice dated April 6, 2006 from Mr. Hari Lal Sharma in relation to a news item on trading of certain fake paintings broadcast by the company. The complainant has sought an unconditional apology in relation to the same. The company has denied all allegations through a letter dated August 25, 2006.
- (i). GBN has received legal notice dated April 15, 2006 from Ushodaya Enterprises Limited and Newstoday Private Limited in relation to the alleged infringement of the copyright of the complainant due to the non-acknowledgement of the complainants with respect to a news item broadcast by the company. The complainants have claimed an amount of Rs. 0.05 crores as damages in relation to the same and have demanded that the company cease and desist from communicating or causing to communicate to public in any manner any news clippings or any other programmes telecast by the complainants. The company is in discussions with Ushodaya Enterprises Limited and Newstoday Private Limited to settle the issue.
- (j). GBN has received legal notice dated April 21, 2006 from Reliance Energy Limited in relation to an allegedly defamatory news item broadcast by the company. The complainant has sought a clarification/apology within one day of receipt of the notice. The company has denied all allegations through a letter dated May 28, 2006.
- (k). GBN has received a legal notice dated June 23, 2006 from Children's House International, an international adoption agency, in relation to an allegedly defamatory news item, with regard to illegal adoptions of children, broadcast by the company. The complainant has sought a retraction of the said defamatory statements. The company has through a letter dated September 15, 2006 denied that there has been any defamation of Children's House International. .
- (l). GBN has received a legal notice dated June 26, 2006, from Preet Mandir, Balwant Kartar Anand Foundation, through its managing trustee, Mr. J.S. Bhasin, in relation to an allegedly defamatory news item, with regard to the complainant's alleged involvement in child trafficking, broadcast by the company. The complainant has sought a retraction of the said news item, as well as for an unconditional apology to be broadcast by the company. The company has through a letter dated September 15, 2006 denied any form of personal bias and have submitted that the contents of the news items are well supported by reasonable and sufficient evidence. The company has denied the allegations. .
- (m). GBN has received a legal notice dated June 28, 2006 from HDFC Bank Limited in relation to an allegedly defamatory news item, about an alleged bank fraud, broadcast by the company. The complainant has sought a retraction of the said defamatory statements, as well as an unconditional written apology from the company. The company has denied all allegations through a letter dated September 15, 2006..
- (n). GBN has received a legal notice dated July 30, 2006 from Dr. Suresh Bhola in relation to a news story about doctors accepting money to amputate beggars and drug addicts broadcast by the company's channel. It is alleged that the news story is highly defamatory and malicious and is not based on correct facts. The legal notice requires the company to stop all further telecast of the relevant story failing which legal action may be taken. The company has denied all allegations through a letter dated August 12, 2006.

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- (o) GBN has received a legal notice dated August 2, 2006 from Dr. P K Bansal in relation to a news story titled 'Shaitan Doctor' broadcast by our channel. It is alleged that the news story is highly defamatory and malicious and is not based on correct facts. The legal notice requires the company to provide Dr. PK Bansal with the unedited copy of the recordings on which the story has been based failing which legal action may be taken. The company has denied all allegations through a letter dated August 8, 2006.
- (p) GBN has received a legal notice dated August 4, 2006 from Dr. Arvind Kumar Aggarwal in relation to a news item broadcast on our channel, CNN IBN and alleged that the allegations made in the news item are false, frivolous and concocted. The broadcasting of the news item has lowered the reputation and has caused mental and financial stain. The noticee has demanded an unconditional public apology within 15 days and claimed damages of Rs. 1.00 crore. The company has denied all allegations through a letter dated August 12, 2006.
- (q) GBN (through its Editor-in-Chief) has received a legal notice dated August 22, 2006 from Mr. Phool Chand Mullana who has sought an unconditional apology in relation to an allegedly defamatory news item broadcast by the company. The company has denied all allegations through a letter dated September 8, 2006.
- (r) GBN has received a legal notice dated December 30, 2006 from Maulana Ahmed Quasmi who has sought an unconditional apology in relation to an alleged defamatory and doctored news item broadcast by the company. The complainant has also demanded damages of Rs. 11,000. The company has through a letter dated January 15, 2007 denied all allegations made by the complainant.
- (s) The company has received a showcause notice dated July 5, 2006 from the MIB, in relation to certain advertisements telecast, which appeared to be indirectly promoting sale or consumption of alcohol, in violation of the Cable Television Networks (Regulation) Act, 1995. The notice sought cause as to why action as per the provisions of the Cable Television Networks (Regulation) Act, 1995 should not be taken against the company, and also as to why uplinking permission granted to the company should not be revoked. Pending decision on this notice, the company has been directed to suspend telecast of the said advertisements until further notice. The company has through a letter dated July 25, 2006 clarified that the advertisement under consideration has no relation to any alcoholic beverages as alleged and in this context requested that the notice be withdrawn.
- (t) The company received a showcause notice dated January 12, 2007 from the MIB, in relation to a programme containing objectionable content about the Father of the Nation which was broadcast on IBN-7 on January 11, 2007, in violation of the Cable Television Networks (Regulation) Act, 1995. The company was also directed to suspend the telecast of the offending programme. IBN-7 replied to the MIB on January 15, 2007 stating the reasons for telecast of the programme and has also suspended telecast of the same, as per the directions of the MIB.

## 2. Civil suit

### ***Karnataka Wildlife Resorts Limited & Another Vs. Bahar Dutt & Others***

Karnataka Wildlife Resorts Private Limited and other have on September 1, 2006 filed a suit (O.S. No. 7821 of 2006) before the City Civil Court, Bangalore against GBN and others. The plaintiffs have alleged that the company has published a totally false, scurrilous and defamatory article and slide show on the website ibnlive.com and broadcast the same news item on CNN IBN with a malafide intention of defaming the plaintiffs. The plaintiffs have *inter alia* sought an order of mandatory injunction and damages amounting to Rs. 1.00 crore with interest. The City Civil Court, Bangalore has through an order dated September 2, 2006 granted a temporary injunction restraining the company and others. Thereafter, the Additional City Civil Judge, Bangalore has through an order dated December 8, 2006 passed a mandatory interim injunction to remove all references and articles from the website ibnlive.com and instructed the company to not broadcast the news item. The company has filed an appeal against the order before the High Court of Karnataka. The matter is pending before the High Court of Karnataka.

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***Bahujan Samaj Party and other v. Global Broadcast News Limited and others***

GBN had received legal notice dated April 8, 2006 from the Maharashtra unit of the Bahujan Samaj Party through its state president Mr. Vilas Garud in relation to an allegedly defamatory news item broadcast by the company. The complaint has claimed an amount of Rs. 200.00 crores as damages and has sought information from the company relating to ownership and shareholding of the company and properties/ assets owned by such persons. The company has denied the allegations through letter dated June 5, 2006. The Bahujan Samaj Party and Mr. Vilas Garud have on August 25, 2006 filed a suit bearing no. 2339 of 2006 before the High Court of Judicature at Mumbai against the company and others in relation to an allegedly defamatory news item broadcast by the company. The plaintiffs have prayed that along with costs for the legal proceedings a decree for recovery of Rs. 200.00 crores by way of damages be passed against the company. The matter is pending adjudication

**3. Criminal case**

***Devender Kr. Bansal vs. Sidharth Gautam & Another***

Mr. Devender Kumar Bansal has filed a complaint in the court of Judicial Magistrate First Class, Ambala City, Haryana (CCNo. 1255 of 2006) against the company in relation to an alleged defamatory news item broadcast by the company. The next date of hearing is scheduled on October 31, 2007. The Magistrate issued a non-bailable warrant against Sidharth Gautam and Rajdeep Sardesai on August 17, 2007. The respondents have preferred a petition (CRM No. 43190 – M of 2007) in the Punjab and Haryana High Court at Chandigarh under section 482 of the Code of Criminal Procedure, 1973 for quashing non-bailable warrants issued by the Magistrate. The High Court vide its order dated August 21, 2007, has stayed execution of the said warrants and issued notice of motion to the respondent for November 13, 2007.

**e-Eighteen Com Limited.**

***Income Tax cases***

There is one income tax case pending against EEL, the details of the case are as follows:

(a) *Assessment Year 2002 -2003*

The Income Tax department has passed an assessment order dated February 28, 2005 against EEL reducing the net loss of EEL from its disclosed income for that assessment year from the amount of Rs. 1,46,40,605.00 to Rs. 1,12,95,173.00 on account of not allowing certain deductions claimed. EEL has filed an appeal dated April 25, 2005 before the CIT (Appeals), Delhi against the assessment order. The CIT (Appeals), Delhi has through its order dated September 16, 2005 partly, allowed the appeal. EEL and the Income Tax department have subsequently filed appeals dated November 18, 2005 before the ITAT, Delhi against the order of the CIT(Appeals) Delhi. The matter is pending adjudication

**III. Litigations against our Directors**

Except for the cases disclosed under the heading “Litigation against the Company”, the three income tax cases pending against Mr. Raghav Bahl as described below under the heading “Litigation against our Promoter and Promoter group Companies” and a case against HB Stock Holdings, a company in which Mr. GK Arora was an independent director, which is described below, there are no litigations pending against any of the Directors of our Company.

The RoC has filed a case before the Additional Chief Metropolitan Magistrate, Delhi alleging contravention of the provisions of the Companies Act against HB Stock Holdings, a company in which Mr. GK Arora, our Independent Director was an independent director.

**IV. Litigation against our Promoter and Promoter group Companies**

In addition to the suit disclosed above under the heading “Litigation against the Company” following are the additional cases pending against our promoter Mr. Raghav Bahl.

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(i) ***Assessment Year 1991-1992 to 2001-2002 (Block Period)***

The income tax department has through an assessment order dated October 31, 2005 held that tax of Rs. 17,998,635.00 was due. The assessee has filed an appeal before the ITAT on August 7, 2006. This demand was reduced, by the ITAT, to Rs 5,161,630 vide order passed under sections 143 (3) and 250 of the IT Act on June 14, 2006. Separately, the income tax department has levied a penalty of Rs. 10,730,838.00 under Section 158BFA(2) of the IT Act. The notice of demand under Section 156 of the IT Act for the aforesaid amount has been issued by the income tax department. The assessee filed an appeal before the CIT (A). The penalty has been reduced to Rs. 53,461.00 by the CIT (A) by an order passed on November 30, 2006.

(ii) ***Assessment Year 2004-2005***

The income tax department has through an assessment order dated July 22, 2006 concluded that the assessee is liable to pay tax and pursuant thereto a notice of demand under section 156 for Rs. 1,667,176.00 and notice in relation to penalty proceedings Section 274 read with Section 271 of the IT Act have been issued. The assessee has filed an appeal before the CIT (A) and the matter is pending adjudication.

(iii) ***Assessment Year 2005-2006***

The income tax department has pursuant to an assessment order dated October 16, 2006 concluded that the assessee is liable to pay tax and pursuant thereto a notice of demand under Section 156 for Rs. 410,387.00 and notice in relation to penalty proceedings under Section 274 read with Section 271 of the IT Act have been issued. The assessee has filed an appeal before the CIT (A) on December 15, 2006 and the matter is pending adjudication.

**V. Material Developments**

Except as disclosed in this Draft Letter of Offer, to the best of our knowledge no circumstances have arisen since the date of the last financial statements which materially and adversely affect or are likely to affect, the trading and profitability of the Company and its subsidiaries (taken as a whole), or the value of the consolidated assets or their ability to pay their material liabilities within the next 12 months.

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## **GOVERNMENT AND OTHER APPROVALS**

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 Draft Letter of Offer.

### **I. Approvals for the Issue:**

The Board of Directors and the Rights Issue Committee have, pursuant to resolution passed at their meetings held on March 5, 2007 and September 24, 2007 authorised the Issue of our Company under section 81(1) of the Companies Act.

### **II. Other Approvals:**

1. The Company is registered as an NBFC with the RBI vide certificate of registration (No. B-14.02545) dated December 21, 2001.
2. TAN allotted to the Company is MUMN14093 C.
3. VAT TIN allotted to the Company is 27510588603V
4. CST TIN allotted to the Company is 27510588603C
5. IEC allotted to the Company is 0506071391
6. Registration [No: 9519] dated January 5, 2007 with the Indian Motion Pictures Association
7. Registration [No: 7445] dated October 13, 2006 with the Association of Motion Pictures and T.V. Programme Producers.

### **III. Approvals or licenses applied for:**

1. The Company has applied for 84 trade mark registrations on September 6, 2007 for registering the "18" logo and its colour combinations under various classes.

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## STATUTORY AND OTHER INFORMATION

### Authority for the Issue

The Board of Directors and the Rights Issue Committee have, pursuant to resolution passed at their meetings held on March 5, 2007 and September 24, 2007 authorised the Issue of our Company under section 81(1) of the Companies Act with a right to renounce:

### Prohibition by SEBI

Neither we, nor our Directors or the Promoter group companies, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI. Further, none of the directors or person(s) in control of the Promoter (as applicable) have been prohibited from accessing the capital market under any order or direction passed by SEBI.

### Eligibility for the Issue

Our Company is an existing company registered under the Companies Act whose Equity Shares are listed on BSE and NSE. It is eligible to offer this Issue in terms of Clause 2.4.1(iv) of the SEBI Guidelines. The Company, our Promoter and our Directors or any of our associates or group companies are currently not prohibited from accessing the capital market under any order or direction passed by SEBI. Further our Promoter, the Company, group companies, associate companies are not detained as wilful defaulters by RBI / Government authorities.

### Disclaimer Clause

**AS REQUIRED, A COPY OF THIS DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED / CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT LETTER OF OFFER. THE LEAD MANAGER I-SEC HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER I-SEC HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 27, 2007 WHICH READS AS FOLLOWS:**

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;**

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**WE CONFIRM THAT:**

- a) **THE DRAFT LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - b) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
  - c) **THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;**
- 3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND**

The filing of this Draft Letter of Offer does not, however, absolve the Company from any liabilities under Section 63 or Section 68 of the Companies Act or from the requirement of obtaining such statutory or other clearance 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 Lead Manager any irregularities or lapses in this Draft Letter of Offer.

**Caution**

The Company and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

**Disclaimer with respect to jurisdiction**

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in New Delhi, India only.

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. The distribution of the Draft Letter of Offer and the Issue of Equity Shares on a Rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons in whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. Any disputes arising out of this issue will be subject to the jurisdiction of the appropriate court(s) in New Delhi, India only.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Draft Letter of Offer has been filed with SEBI, SEBI Bhavan, Bandra Kurla Complex, Mumbai 400 051, for its observations. After SEBI gives its observations, the final Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Act.

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## **Designated Stock Exchange**

The Designated Stock Exchange for the purposes of this Issue will be the [●].

## **Disclaimer Clause of the BSE**

As required, a copy of this Draft Letter of Offer has been submitted to BSE. The Disclaimer Clause as intimated by BSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to the RoC filing.

## **Disclaimer Clause of the NSE**

As required, a copy of this Draft Letter of Offer has been submitted to NSE. The Disclaimer Clause as intimated by NSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to the RoC filing.

## **Filing**

This Draft Letter of Offer was filed with SEBI, SEBI Bhavan, Bandra Kurla Complex, Mumbai 400 051. All the legal requirements applicable till the date of filing this Draft Letter of Offer with the Stock Exchanges have been complied with.

A copy of the Letter of Offer, required to be filed under SEBI Guidelines would be filed with the Designated Stock Exchange.

## **Impersonation**

**As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act which is reproduced below:**

*“Any person who makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”*

## **Dematerialised dealing**

The Company has agreements with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited and its Equity Shares bear the ISIN – INE870H01013

## **Listing**

The existing Equity Shares are listed on the BSE and the NSE. The Company has made applications to the BSE and the NSE for permission to deal in and for an official quotation in respect of the securities being offered in terms of this Draft Letter of Offer. The Company has received in-principle approvals from the BSE and the NSE by letters dated [●] and [●], respectively. The Company will apply to the BSE and the NSE for listing of the securities to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the PCCPs is not granted by any of the Stock Exchanges mentioned above, within 42 days from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Draft Letter of Offer. If such money is not paid within eight days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

## **Consents**

Consents in writing of the Auditor, Lead Manager, Legal Advisor, Registrar to the Issue and Bankers to the Issue to act in their respective capacities have been obtained and filed with SEBI, along with a copy of the Draft

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Letter of Offer and such consents have not been withdrawn up to the time of delivery of this Draft Letter of Offer to SEBI.

G.S. Ahuja and Associates, the Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Draft Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Draft Letter of Offer to SEBI.

**Expert Opinion, if any**

Except in the sections titled “Financial Statements” and “Statement of Tax Benefits” on page 158 and 66 of this Draft Letter of Offer, no expert opinion has been obtained by the Company in relation to this Draft Letter of Offer.

**Expenses of the Issue**

We have estimated Rs. 900.00 lakhs for the purpose of meeting the issue expenses.

*Fees Payable to the Lead Manager to the Issue*

The fees payable to the Lead Manager to the Issue are set out in the engagement letters issued by the Company to the Lead Manager and the Memorandum of Understanding entered into by the Company with the Lead Manager, copies of which are available for inspection at the Registered Office.

*Fees Payable to the Registrar to the Issue.*

The fee payable to the Registrar to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office.

**Previous Issues by the Company**

Pursuant to the Scheme, we filed an information memorandum dated January 5, 2007 with the BSE and the NSE to list our Equity Shares. SEBI vide its letter dated January 12, 2007 granted us a relaxation from Rule 19(2)(b) of the SCRR. We received our final trading approval from the BSE and the NSE on January 31, 2007, pursuant to which 49,915,025 Equity Shares of the Company were listed on the BSE and the NSE respectively.

**Date of listing on the Stock Exchange**

The Equity Shares of our Company were listed on February 2, 2007 on the BSE and the NSE.

**Issues for consideration other than cash**

Except for 19,915,025 allotted to the Shareholders of Television Eighteen India Limited pursuant to the Scheme, our Company has not issued Equity Shares for consideration other than cash or out of revaluation reserves.

**Option to Subscribe**

Other than the present Issue, the Company has not given any person any option to subscribe to the Equity Shares of the Company.

**Stock market data for Equity Shares**

Our Company was listed on February 2, 2007. The high and low prices and volume of Equity Shares traded on the respective dates during the six months is as follows:

## NSE

Month, Year	High (Rs.)	Date of High*	Volume on date of high (no. of shares)	Low (Rs.)	Date of low*	Volume on date of low (no. of shares)	Volume of trade on monthly basis
March, 2007	359.4	March 9, 2007	70,686	309.3	March 21, 2007	76,121	1,598,229.00
April, 2007	396	April 27, 2007	1,79,189	280	April 2, 2007	28,411	1,137,746.00
May, 2007	631.2	May 23, 2007	4,22,001	391	May 3, 2007	19,71,221	16,525,951.00
June, 2007	551.3	June 25, 2007	1,49,600	448.7	Jun 13, 2007	1,18,889	1,668,822.00
July, 2007	523.8	July 4, 2007	63,672	422.2	July 30, 2007	40,633	776,566.00
August, 2007	445	August 8, 2007	65,499	327	August 24, 2007	1,24,569	789,529.00

\* In the event the high and low price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.

## BSE

Month, Year	High (Rs.)	Date of High*	Volume on date of high (no. of shares)	Low (Rs.)	Date of low*	Volume on date of low (no. of shares)	Volume of trade on monthly basis
March, 2007	358.40	March 9, 2007	51,294	316.00	March 5, 2007	66,056	11,79,373
April, 2007	399.00	April 27, 2007	1,06,743	316.00	April 2, 2007	7,573	4,25,541
May, 2007	629.60	May 23, 2007	2,95,956	380.00	May 3, 2007	26,64,249	1,07,46,395
June, 2007	550.40	June 25, 2007	75,853	447.10	June 13, 2007	68,086	8,62,388
July, 2007	524.00	July 2, 2007	7,882	420.00	July 30, 2007	22,540	3,46,832
Aug, 2007	434.90	August 2, 2007	1,65,292	328.00	August 24, 2007	2,30,889	7,32,174

\* In the event the high and low price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.

The closing market price was Rs. 341.45 on BSE on March 6, 2007, the trading day immediately following the day on which Board meeting was held to approve the Issue.

The closing market price was Rs. 341.65 on NSE on March 6, 2007, the trading day immediately following the day on which Board meeting was held to approve the Issue.

Except as disclosed in the section titled "Capital Structure" begining on page 51 of this draft Letter of Offer, there have not been any transactions in Equity Shares by the Promoter and the promoter group during the last six months from the date of this Draft Letter of Offer.

## Important

- This Issue is pursuant to the resolution passed by the Board of Directors and the Rights Issue Committee at their meetings held on March 5, 2007 and September 24, 2007.
- This Issue is applicable to those Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the

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Register of Members of the Company at the close of business hours on the Record Date i.e. [●], after giving effect to the valid share transfers lodged with the Company upto the Record Date i.e. [●].

- Your attention is drawn to the section entitled ‘Risk Factors’ appearing on Page 7 of this Draft Letter of Offer.
- Please ensure that you have received the Composite Application Form (“CAF”) with this Draft Letter of Offer.
- Please read the Draft Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of this Draft Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Draft Letter of Offer or the CAF.
- All enquiries in connection with the Draft Letter of Offer or CAF should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAF.
- All information shall be made available to the Investors by the Lead Manager and the Issuer, and no selective or additional information would be available by them for any section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.
- The Lead Manager and the Company shall update the Draft Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

#### **Issue Schedule**

<b>Issue Opening Date:</b>	[●]
<b>Last date for receiving requests for split forms:</b>	[●]
<b>Issue Closing Date:</b>	[●]

#### **Allotment Letters / Refund Orders**

The Company will issue and dispatch letters of allotment/ share certificates/ demat credit and/or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 42 days from the date of closure of the Issue. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Companies Act.

Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI), will get refunds through ECS only (Electronic Clearing Service) except where Applicants are otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS.

In case of those Applicants who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, and advice regarding their credit of the Equity Shares shall be given separately. 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 42 working days of closure of Issue.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form and the Company issues letter of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the companies Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates. For more information see section titled “Allotment Letters” beginning on page 49 of this Draft Letter of Offer.

The letter of allotment / refund order exceeding Rs.1,500.00 would be sent by registered post/speed post to the sole/first Applicant's registered address. Refund orders up to the value of Rs.1,500.00 would be sent under certificate of posting. Such refund orders would be payable at par at all places where the applications were

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originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole/first Applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

### **Investor Grievances and Redressal System**

The Company has adequate arrangements for redressal of Investor complaints. Well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for the Company is being handled by Alankit Assignments Limited, Share Transfer Agents. Letters are filed category wise after having attended to. Redressal norm for response time for all correspondence including shareholders complaints is 15 days.

A Shareholders/Investors Grievances Committee was constituted on October 12, 2006. The Committee consists of Mr. Manoj Mohanka, Mr. Sanjay Ray Chaudhuri and Mr. G.K.Arora. Mr. Manoj Mohanka is the Chairperson of the Committee. The role of the Committee is to review investor grievances. Ms. Shilpa Aggarwal, is the compliance officer of the Company.

### **Investor Grievances arising out of this Issue**

The Company's investor grievances arising out of the Issue will be handled by Ms. Shilpa Aggarwal and Alankit Assignments Limited, who are the Registrar to the Issue. The Registrar will have a separate team of personnel handling only our post-Issue correspondence.

The agreement between us and the Registrar will provide for retention of records with the Registrar for a period of at least three years from the last date of dispatch of Letter of Allotment/ share certificate / warrant/ refund order to enable the Registrar to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 15 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. We undertake to resolve the Investor grievances in a time bound manner.

**Investors may contact the Compliance Officer / Company Secretary in case of any pre-Issue/ post -Issue related problems such as non-receipt of letters of allotment/share certificates/demat credit/refund orders etc. Her address is as follows:**

Ms. Shilpa Aggarwal  
Express Trade Tower  
Plot No. 15 and 16  
Sector 16 A, Noida  
Uttar Pradesh 201 301  
Tel: +91 120 4341818  
Fax: +91 120 4324110  
Email: [rights.issue@network18online.com](mailto:rights.issue@network18online.com)  
Website: [www.network18.co.in](http://www.network18.co.in)

### **Changes in Auditors during the last three years**

There have been no changes in our Statutory Auditors in the last three years.

### **Capitalisation of Reserves or Profits**

The Company has not capitalized any of its reserves or profits for the last five years.

### **Revaluation of Fixed Assets**

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There has been no revaluation of the Company's fixed assets for the last five years.

### **Minimum Subscription**

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the Issue or the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of the Issue. If there is a delay beyond eight days after the date from which the Company becomes liable to pay the amount, the Company shall pay interest for the delayed period as prescribed under Section 73 of the Companies Act.

### **Offer to Non-Resident Equity Shareholders/Applicants**

Applications received from NRIs and non-residents for allotment of PCCPS and Detachable Warrants shall be *inter alia*, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 2000 (FEMA) in the matter of receipt and refund of application moneys and the allotment of PCCPS, Part A-Equity Shares and the Detachable Warrants on the PCCPS becoming fully paid up, issue of letter of allotment / share and warrant certificates, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on rights basis by an Indian company in terms of FEMA and regulation 6 of notification No. FEMA 20/2000-RB dated May 03, 2000. The Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of the PCCPS and the Part A-Equity Shares and Detachable Warrants on the PCCPS becoming fully paid up, payment of dividend etc. to the non-resident shareholders. The PCCPS and the Part A-Equity Shares and the Detachable Warrants purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. Such approval shall be submitted along with the CAF. The Letter of Offer and CAF shall only be dispatched to non-resident Equity Shareholders with registered address in India.

FII's will not need permission of the FIPB/RBI for investment in the Issue to the extent of their Rights Entitlement. However, in case of applications from such entities in excess of their entitlement, allotment will be subject to restrictions under applicable laws, including existing ceilings on FII holdings in the Company and the sectoral caps on foreign direct investment in the Company, as applicable.

Letter of Offer and CAF to non resident Equity Shareholders shall be dispatched only to their address mentioned in the Register of Members in India as provided under Section 53 of the Companies Act.

Further according to the prescribed limits under the Foreign Exchange Management Act, 1999, the applicable regulations thereunder, the Industrial Policy of the Government of India and the Uplinking Guidelines, not more than 26% of TV18 and GBN, our subsidiary, can be directly or indirectly held by foreign investors. Pursuant to the resolutions of the Board dated November 27, 2006, foreign shareholding in our Company has been capped at 13.12%, as any subsequent change in holding by FIIs in our Company would result in a change in the indirect holding of FIIs in TV18 and GBN. Hence, resident Equity Shareholders are **not** allowed to renounce their Rights Entitlement in favour of non-residents.

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## MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association. Pursuant to Schedule II of the Companies Act, 1956 and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are set forth below.

### CAPITAL

#### *Share Capital*

Article 3 provides that

- (a) The Authorised Share Capital of the Company shall be such amount as from time to time be authorised by the Memorandum.
- (b) The Company shall have the power to increase or decrease the capital, from time to time, in accordance with the provisions of the Companies Act, 1956.

#### *Preference Shares*

Article 4 provides that

- (a) The Company shall further have the power to Issue Preference Shares carrying right to redemption out of profits which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of such redemption, or liable to be redeemed at the option of the Company, and the Board may, subject to the provision of section 80 of the Act, exercise such power in such manner as it thinks fit.

#### *Debentures*

Article 4 A provides that

- (a) The Company shall have the power to issue convertible/non- convertible Debenture subject to the provision of the Act and the approval of controller of capital issue, if so required.

#### *Allotment of shares*

Article 5 provides that

Subject to the provisions of these Articles, the shares shall be under the control of the Allotment of Shares Directors who may allot or otherwise dispose off the same on such terms and conditions and at such time as the Directors think fit and with power to issue any shares as fully paid up in consideration of services rendered to the Company in its formation or otherwise, provided that where the Directors decides to increase the issued capital of the Company by the issue of further shares, the provision of Section 81 of the Act will be complied with. Provided further that the option or right to call of shares not be given to any person except with the sanction of the Company in general meeting.

#### *Issue of shares at discount*

Article 7 provides that

Subject to the provision of the act, it shall be lawful for the company to issue at a issue of Share at a discount, shares of a class already issued.

#### *Commission*

Article 8 provides that

The Company may, subject to compliance with the provision of Section 76 of the Act, Commission for exercise the powers of paying commission on the issue of shares and debentures. The commission may be paid or satisfied in cash or shares, debentures or debenture stock of the Company.

#### *Brokerage*

Article 9 provides that

The Company may pay a reasonable sum or brokerage, subject to the ceiling prescribed Brokerage under the Act.

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*Trust not recognized*  
Article 10 provides that

Subject to Section 187C of the Act, the Company shall be entitled to treat the registered 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 recognize any trust, benami or equitable or other claim to or interest in such shares or any fractional part of a share whether or not it shall have express or other notice thereof.

## **CERTIFICATES**

*Certificate*  
Article 11 provides that  
certificate of title to shares shall be issued under the Seal of the Company.

*Member's right to certificate*  
Article 12 provides that

Every member shall be entitled free of charge to one or more Certificate in marketable lots for the shares of each class registered in his name or, if any member so wishes, to several certificate each for one or more of such shares. Unless the conditions of issue of any shares otherwise provide the Company, shall either within two months after the date of allotment and on surrender to the company of its letter making the allotment or its fractional coupons of requisite value (save in the case of issue against letters of acceptance or of renunciation or in case of Issue of bonus shares) or within one month of receipt of the application for registration of the transfer, sub division, consolidation, renewal or. exchange of any of its shares, as the case may be, complete and have ready for delivery the certificates of such shares. Every certificate of share shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and the amount paid up thereon. Particulars of every certificate issued shall be entered in the Register maintained in the form set out in the Companies (Issue of Share Certificates) Rules, 1960.

*Dematerialization of securities*  
Article 12A provides that

Either on the Company or the investors exercising an option to hold his securities with a depository in the dematerialized form the Company shall enter into an agreement with a depository to enable the investor to dematerialise the securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act, 1996.

## **CALLS**

*Calls*  
Article 15 provides that

The Directors may, from time to time, subject to the terms on which shares, may have issued, 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 thereto made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the time and places appointed by the Directors. A call may be made payable by installments.

*Notice*  
Article 17 provides that  
Not less than 30 (Thirty) days notice of any calls shall be given specifying the time and place of payment and to whom such call shall be paid.

*Interests to be charged on non payment of call*  
Article 19 provides that

If the sum payable in respect of any call or installment be not paid on or before the day appointed for the payment thereof the holder for the time being of the share in respect of which the call shall have been made or the installment shall be due, shall pay interest for the same at the rate of 12 (Twelve) percent per annum, from

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the day appointed for the payment thereof to the actual payment or at such other rate as the Directors may determine but they shall have power to waive the payment thereof wholly or in part.

*Evidence in actions by Company against shareholders*

Article 20 provides that

On the trial of hearing of any action or suit brought by the Company against any member or his representative to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the defendant is, or was when the claim arose, on the Register of the Company as a holder, or one of the holders of the number of shares in respect of which such claim is made, that the resolution making the call is duly recorded in the minute book and that the amount claimed is not entered as paid in the books of the Company, and it shall not be necessary to prove the appointment of the Directors who made any call nor that a quorum of Directors was present at the meeting at which any call was made nor that such meeting was duly convened or constituted, nor any other matter whatsoever; but the proof of the matters aforesaid shall be conclusive evidence of the debt.

*Payment of calls in advance*

Article 21 provides that

The Board may, if it thinks fit, receive from any member willing to advance the same, all or any part of the money due upon the shares held by him beyond the sums actually called for, and upon the money so paid or satisfied in advance, or so much thereof as, from time to time, exceeds the amount of calls then made upon the share in respect of which such advance has been made, the Company may pay interest at such rate not exceeding, unless the Company in general meeting shall otherwise direct, 6 (six) percent per annum as the member paying such sum as advance and the Board agree upon. Money so paid in excess of the amount of call shall not rank for dividends or confer a right to participate in profits. The board may at any time repay the amount advanced upon giving such member not less than three months notice in writing.

## **FORFEITURE AND LIEN**

*If call or instalment not paid, notice may be given*

Article 22 provides that

If any member fails to pay any call or installment on or before the day appointed for the payment of the same, the Directors may at any time thereafter, during such time as the call or installment remains unpaid, serve notice on such member requiring him to pay the same together with any interest that may have accrued and expenses, they may have been incurred by the Company by reasons of such non - payment.

*Form of Notice*

Article 23 provides that

The notice shall name a day (not being less than 30 days from the date of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time, and at the place or places appointed, the shares in respect of which such call was made or installment is payable will be liable to be forfeited.

*If notice not complied with, shares may be forfeited*

Article 24 provides that

If the requirement of any such notice as aforesaid be not complied with, any shares in respect which such notice has been given may, at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share not actually paid before the forfeiture. Subject to Section 205A of the Act, neither the receipt to the Company of a portions of any money which shall, from time to time, be due from any member of the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such share as here in provided.

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*Notice after forfeiture*  
Article 25 provides that

When any shares shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

*Forfeited shares to become property of the Company*  
Article 26 provides that

Any share so forfeited shall be deemed to be the property of the Company, and the Directors may sell, re-allot or otherwise dispose off the same in such manner as they think fit.

*Power to annul forfeiture*  
Article 27 provides that

The Directors may, at any time before any share so forfeited are not sold, re-allotted or otherwise disposed off, annul the forfeiture thereof upon such conditions as they think.

*Effect of Forfeiture*  
Article 29 provides that

The forfeiture of a share shall involve the extinction of all interest in and also of claims and demands against the Company in respect of the share, and all other right incidental to the share except only such of those rights as by these Articles are expressly saved.

*Evidence of forfeiture*  
Article 30 provides that

A duly verified declaration in writing that the declarant is a Director of the Company and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and the receipt of the Company for the consideration if any given for the shares on the sale or disposition thereof, shall constitute a written title to such shares.

*Company's lien on shares*  
Article 31 provides that

The Company shall have a first and paramount lien upon all the shares (not fully paid up) registered in the name of each member (whether solely or jointly with others), and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any share shall be created except upon the footing condition that Article 9 hereof is to have full effect. 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.

*Intention as to enforcing lien*  
Article 32 provides that

For the purpose of enforcing such lien, the Directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made until such period as aforesaid shall have elapsed and until notice in writing of the intention to sell served on such member, his committee, curator bonis or other person recognised by the Company entitled to represent such member and default shall have been made by him or them in the payment of the sum payable as aforesaid for thirty days after such notice. The net proceeds of any such sale shall be applied in or towards satisfaction of such part of the amount in respect of which the lien exists as its present executors, administrators, other representatives or persons so recognised as aforesaid.

*Validity of shares*  
Article 33 provides that

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Upon any sale after forfeiture or for enforcing lien in purported exercise of the powers by these presents given, the Directors may appoint some person to execute and instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold and after his name has been entered in the Register in respect of such shares his title to such shares shall not be affected by and any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition nor impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

*Power to issue new certificates*

Article 34 provides that

Where any shares under the powers in that behalf herein contained are sold by the Directors and the Certificate thereof has not been delivered to the Company by the former holders of the said shares the Directors may issue new certificate in lieu of certificate not so delivered.

## TRANSFER AND TRANSMISSION

*Execution of transfer, etc.*

Article 35 provides that

Subject to the provision of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or transferee has been, delivered to the Company together with the certificate or certificates of the shares, or if no such certificate is in existence along with the letter of allotment of shares. The instrument of transfer of any shares shall be signed both by or on behalf of the transferor and by or on behalf of transferees and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the Register in respect thereof.

*Notice of transfer to registered holder*

Article 36 provides that

Application for the registration of the transfer of a share may be either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the company gives notice of the application to the transferee in the manners prescribed by the Act and subject to the provisions of Articles hereof, the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same condition as if the application for registration was made by the transferee.

*Register of transfer*

Article 38 provides that

The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer of any share.

*When instrument of transfer to be retained*

Article 41 provides that

All instruments of transfer duly approved shall be retained by the Company and in case of refusal, instruments of transfer shall be returned to the person who lodges the transfer deeds.

*Notice of refusal to register transfer*

Article 42 provides that

If the Directors refuse to register the transfer of any shares, the Company shall, within one month from the date on which the instrument of transfer was lodged with the Company or intimation given, send to the transferor and the transferee or the person giving intimation of such transfer notice of such refusal.

*Transmission of registered shares*

Article 44 provides that

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The executors or administrators or the holder of a succession certificate in respect of shares of a deceased member (not being one of several joint holders) shall be the only person whom the Company shall recognise as having any title to the shares registered in the name of such member and, in case of the death of any one or more of the joint-holders of any registered shares the survivors shall be only persons recognised by the Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognising any legal representative or heir or a person otherwise claiming title to the shares the Company may require him to obtain a grant of probate or letters of administration or succession certificate, or other legal representation, as the case may be from a competent court, provided nevertheless that in any case where the Board, in its absolute discretion think fit it shall be lawful for the Board to dispense with production of probate or letters of administration or a succession certificate or such other legal representation upon such terms as to indemnity or otherwise as the Board may consider desirable.

*As to transfer of shares of deceased or insolvent members*

Article 45 provides that

Any person becoming entitled to or to transfer of shares in consequence of that death or insolvency of any member, upon producing such evidence that he sustains the character in respect of which he propose to act under this article, or of his title as the Directors think sufficient, may with the consent of the Directors (which they shall not be under any obligation to give), be registered as a member in respect of such shares or may, subject to the regulations as to transfer hereinbefore contained transfer such shares. This article is hereinafter referred to as 'The Transmission Article'. Subject to any other provisions of these Articles is the person so becoming entitled to shares under this or the last preceding Article shall elect to be registered as a member in respect of the share himself he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to transfer to some other person he shall execute an instrument of transfer in accordance with the provision of these articles relating to transfer of shares. All the limitation, restrictions and provision of these articles relating to the rights to transfer and the registration of transfer of shares shall be applicable to any such notice of transfer as aforesaid.

*Transmission of securities in case of nomination*

Article 45A provides that

- (i) Any person who becomes a nominee by the virtue of Article No 13(e) upon producing such evidence as may be required by the Board and subject as hereinafter provided, elect, either:
  - (a) to be registered himself as holder of the share or debenture, as the case may be, or
  - (b) to make such transfer of the share or debenture, as the deceased shareholder or debenture holder, as the case may be, could have made.
- (ii) If the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased holder, as the case may be.
- (iii) Subject to the provisions of the Companies Act, 1956 and these articles, the relevant shares or debentures may be registered in the name of the nominee or the transferee as if the death of the holder of shares or debentures had not occurred and the notice and transfer were signed by the registered holders.
- (iv) A nominee on becoming entitled to any shares in or debentures of the Company by a reason of death of the holder, shall be entitled to the same dividends and other advantages to which he would have been entitled if he was the registered holder of the shares or debentures, except that he shall not, before being registered as a member of such shares or The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter with hold payment of all dividends, bonuses, interest or other money payable in respect of the relevant share or debenture, until the requirements of the notice have been complied with.
- (iv) The provisions of this Article shall apply mutatis mutandis to a depositor of money with Company as per the provisions of section 58A of the Act.

**STOCK**  
*Stocks*

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Article 49 provides that

The Company may exercise the power of conversion of its shares into stock and in that case Regulations 37 to 39 of table "A" in schedule I of the Act, shall apply.

*Buy-back of Securities*

Article 49A

The Company is authorized to purchase its own shares or other specified securities in accordance with section 77 A of the Act.

**ALTERATION OF CAPITAL**

*Power to subdivide and consolidate*

Article 50 provides that

The Company may by ordinary resolution, from time to time, alter the condition of

Memorandum of Association as follows:

- (a) Increase the Share Capital by such amount to be divided into shares of such amount as may be specified in the resolution.
- (b) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (c) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, however, that is the subdivision in proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the sum as it was in the share from which the reduced share is derived; and
- (d) Cancel any share which, at the date of the passing of the resolution, 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 share so cancelled.

*Reduction of capital etc*

Article 50A provides that

The Company may, from time to time, in accordance with section 100 to 104 and other applicable provision of the Act, reduce its capital, any Capital Redemption Reserve Account, any other capital reserve or Securities Premium Account in any manner for the time being as authorised by law. The Securities Premium Account may, subject to the provision of the Act, be applied by the Company:

- (a) in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
- (b) in writing off the preliminary expenses of the Company;
- (c) in writing off the expenses of or commission paid or discount allowed on issue of shares or debentures of the Company; or
- (d) in providing for the premium payable on the redemption of any redeemable Preference Shares or of any Debentures of the Company;
- (e) for buy back of securities

Provided further that notwithstanding anything contained hereinabove, any amount standing to the credit of the Securities Premium Account or capital Redemption Reserve Account or any other capital reserve may also be utilized for any other purpose or in any other manner in accordance with the provision of law.

*Surrender of shares*

Article 51 provides that

Subject to the provision of Section 100 to 104 of the Act, the Board of Directors may accept from any member the surrender of all or any of his shares on such terms and conditions as shall be agreed.

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## **MODIFICATION OF RIGHTS**

### *Power to modify rights*

Article 52 provides that

If at any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be carried with consent in writing of the holders of three-fourth 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 shares of that class. To every such Separate Meeting the provisions of these Articles, relating to general meeting shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one -tenth of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, shall have one vote for each shares of the class of which he is the holder. The Company shall comply with the provision of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the Registrar of Companies.

## **BORROWINGS**

### *Power to borrow*

Article 53 provides that

The Board may, from time to time and its discretion, subject to the provisions of Section 58A, 292 and 293 of the Act, and Regulations made there under and Direction issued by the R.B.I, raise or borrow, either from the Directors or form elsewhere and secure the payment of any sum or sums of money for the purposes of the Company.

### *Condition on which money may be borrowed*

Article 54 provides that

The Board may, raise or secure the repayment of such sum or sums in such manner and upon such terms and condition in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable debenture or debenture stock, or any mortgage, or other security on the undertaking on the undertaking of the whole or of the property of the Company (both present and future), including its uncalled capital for the time being, provided that debentures with the rights to allotment of or conversion into shares shall not be issues except with the sanction of the Company in general meeting and subject to the provision of the Act.

### *Issue at discounts etc. or with special privileges*

Article 55 provides that

Any debenture, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any special privileges, as to redemption, surrender, drawings, allotments of shares appointment of Directors and otherwise, debentures, debenture-stock, bond and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued. Debentures, with the right to conversion into or allotment of shares, shall be issued only with the consent of the Company in General Meeting by a Special Resolution.

### *Instrument of transfer*

Article 56 provides that

Save as provided in Section 108 of the Act, no transfer of debenture shall be registered unless a proper instrument of transfer duly stamped and executed by the transfer or and transferee has been delivered to the Company together with the certificate or certificate of debentures

## **GENERAL MEETINGS**

### *Extra ordinary General Meetings*

Article 61

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The Directors may, wherever think fit, call an Extra Ordinary General Meeting Provided however if at any time there are not in India Directors capable of acting who are sufficient in number to form a quorum, any Directors present in India may call an Extra Ordinary General Meeting in the same manner as nearly as possible as that in which such a meeting may be called by the Board of Directors.

*Calling of Extra Ordinary General Meeting on requisites*

Articles 62

The Board of Directors of the Company shall on the requisition of such member or members of the Company as is specified in Sub-section(4) of Section 169 of the Act, forthwith proceed to call an Extra Ordinary General Meeting of the Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the other provision of Section 169 of the Act and of any statutory modification thereof for the time being, shall apply.

*Quorum*

Article 63

The quorum for a General Meeting shall be at least five members present in person.

*Chairman*

Article 64

At every General Meeting, the Chair shall be taken by the Chairman of the Board of Directors. If at any meeting the Chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or, though present is unwilling to act as Chairman, the members present shall choose one of the Directors present to be the Chairman or if no Director shall be present or though present is unwilling to take the Chair then the members present shall choose one of them being a member entitled to vote, to be chairman.

*When quorum not present*

Article 66

If within half an hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon a requisition of share holders shall be dissolved but in any other case it shall stand adjourned to the same day in the next week at same time and place, unless the same shall be public holiday when the meeting shall stand adjourned to the next day being a public holiday at the same time and place and if at such adjourned meeting a quorum be not present within half an hour from the time appointed for the meeting those member who are present and not being less than two persons shall be quorum and may transact the business for which the meeting was called .

*Power of adjourned general meeting*

Article 68

The Chairman of a General Meeting may adjourn the same from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left furnished at the meeting from which the adjournment took place. It shall not be necessary to give notice to the member of such adjournment or of the time, date and place appointed for the holding of the adjournment meeting.

*Vote of member*

Article 70

- 1) On a show of hands every member present in person and being a holder of Equity Share shall have one vote and every person present either as proxy on behalf of holder of Equity Shares or as a duly authorised representative of a body corporate being a holder of Equity Shares, if he is not entitled to vote in his own rights, shall have one vote.
- 2) On a poll the voting rights of a holder of Equity Shares shall be as specified in Section 87 of the Act.
- 3) The voting rights of the holders of the Preference Shares including the Redeemable Cumulative Preference Shares shall be in accordance with the provision of Section 87 of the Act.

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- 4) No company or body corporate shall vote by proxy so long as a resolution of its Board of Directors under Section 187 of the Act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered.

*Votes in respect of deceased insolvent and insane members*

Article 71

A person becoming entitled to a share shall not before being registered as member in respect of the share entitled to exercise in respect thereof any right conferred by membership in relation to meeting of the Company. If any member be a lunatic or idiot, he may vote whether on a show of hands or at a poll by committee or other legal curator and such last mentioned persons may give their votes by proxy provided that twenty meeting, as the case may be, at which any such person proposes to vote he shall satisfy the Board of his rights under this Article unless the Board shall have previously admitted his right to vote at such meeting in respect thereof.

*Joint Holders*

Article 72

Where there are joint holders of any share any one of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of the such joint holders be present at any meeting either personally or by proxy than that one of said persons so present whose names stands prior in order on the register in respect of such shares shall alone be entitled to vote in respect thereof. Several executors or administrator of deceased member in whose name and share stands shall for the purpose of this Article be deemed jointly holders thereof.

*Vote by proxy*

Article 75

A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of transfer of the share in respect of which the vote is given. Provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received at the office or by the Chairman of the Meeting before the vote is given. Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

*Validity of vote*

Article 77

No objection shall be taken to the validity of any vote except at the meeting or poll at which such votes shall be tendered and every vote not disallowed at such meeting or poll and whether given personally or by proxy or otherwise shall be deemed valid for all purposes.

*Restriction on voting*

Article 78

No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the company has exercised any right or lien.

**DIRECTORS**

*Number of Directors*

Article 79 provides that

The number of Directors shall not be less than three and not more than twelve.

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### *First Directors*

Article 80 provides that

The first Directors of the Company, shall be:

- 1) Smt. Geeta Gupta
- 2) Sh. Rakesh Gupta

### *Power of Board to add to its numbers*

Article 81 provides that

The Directors shall have power, at any time and from time, to time, to, appoint any person as additional Director as an addition to the Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed by the Articles, any directors so appointed shall hold office only until the next Annual General Meeting of the company and shall be eligible for re-election.

### *Casual vacancy*

Article 87 provides that

If any Director appointed by the Company in general meeting vacates office as a Director before his term of office will expire in the normal course and the resulting casual vacancy may be filled up by the Board at a meeting of the Board, but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under Section 284 of the Act. .

### *Nominee Director*

Article 88 provides that

The Company shall subject to the provision of the Act, be entitled to agree with any person, firm or corporation that he or it shall have the right to appoint his or its nominee on the Board of Directors of the Company upon such terms and condition as the company may deem fit. The corporation, firm or person shall be entitled, from time to time to remove any such Director or Directors and appoint another or others in his or their places. He shall be entitled to the same right and privileges and be subject to the same obligation as any other Director of the company.

Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remains owing by the company to the Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India (IDBI), the Industrial Credit and Investment Corporation of India (ICICI), Gujarat State Industrial Development Corp., Gujarat Financial Corporation Limited, Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), Industrial Reconstruction Bank of India (IRBI), General Insurance Corporation of India (AIC), New India Insurance Company Limited (NIA), Oriental Insurance Company Limited (OIC), United India Insurance Company Limited (UI), National Insurance Company Limited (NIC), or to any other Finance Corporation or Credit Corporation or to any other Financing Company or Body out of any loans granted by them to the company or so long as IDBI, IFCI, ICICI, LIC, UTI, IRBI, GIC, NIA, OIC, UI, NIC or Any other Financing Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to as ("the corporation") continue to hold debentures in the company by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any Guarantee furnished by the corporation on behalf of the Company remains outstanding the Corporation shall have a right to appoint from time to time, any person or persons as Directors, whole time or non- whole time, (which Director or Directors is/are hereinafter referred to as "Nominee Directors") on the Board of the Company to remove from such office any person or persons so appointed and to appoint any person or person in his or their places.

The Board of Directors of the Company shall have no power to remove from office the Nominee Directors. At the option of the corporation such Nominee Director(s) shall not be required to hold any share qualification in the Company. Also at the option of the corporation such Nominee Director(s) shall not be liable to retirement by

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rotation of Directors. Subject to aforesaid, the Nominee Director(s) shall be entitled to the same rights and privileges and be subject to the same obligation as any other Director of the Company.

The Nominee Director(s) so appointed shall hold office said office only so long as moneys remain owing by the company of the corporation or so long as the corporation holds Debentures in the Company as a result of direct subscription or private placement or so long as the corporation holds shares in the Company as a result of underwriting or direct subscription or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director(s) so appointed in exercise of the said power shall ipso facto vacate such office immediately the money owing by the Company to corporation ceasing to hold Debentures/shares in the company or on the satisfaction of the liability of the company arising out of the Guarantee furnished by the Corporation.

The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which the Nominee Director's is/are members as also the minutes of such, meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director(s) sitting fees and expenses to which the other Directors, of the company are entitled, but if any other fees, commission monies or remuneration in any form is payable to the Directors of the Company, the fees, commission monies and remuneration in relation to such Nominee Director (s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the corporation. Any expenses that may be incurred by the corporation or such Nominee Director(s) in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Directors(s).

Provided that if any such Nominee Director(s) is an officer of the Corporation, the sitting fees, in relation to such Nominee Director(s) shall also accrued to the corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Director(s) such Nominee Director(s) shall exercise such powers and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director(s) shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the corporation.

#### *Qualification Shares*

Article 82 provides that

A Director shall not be required to hold any share qualification.

#### *Directors remuneration and expenses*

Article 83 provides that

Each Director shall be entitled to be paid out of the funds of the Company by way of remuneration for his services not exceeding the sum prescribed under the Act and Rules framed there under for every meeting of the Board of Directors or Committee thereof attended by him. Subject to the provisions of the Companies Act, 1956 the Directors shall also be entitled to receive in each years a commission @ 1% (one percent) of the net profits of the Company. Such commission is to be calculated on the net profits the Company to be computed in accordance with the provisions of the Companies Act, 1956 and such commission shall be divided among the Directors in such proportion and manner as may be determined by them. The Directors may allow and pay to any Director who for the time being is resident or of the place at which Meeting of the Directors may be held and who shall come to that place for the purpose of attending such meeting such sum as the Directors may consider fair and reasonable for his expenses in connection with his attending at the meeting in addition to his remuneration as above specified. If any Director being willing is appointed to an executive office either whole time or part time or be called upon to perform extra services or to make any special exertion for any of the purposes of the Company then subject to the Section 198,309,310 and 314 of the Act and regulations made there under the Board may remunerate such Director either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled to.

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*Board may act notwithstanding vacancy*

Article 84 provides that

The continuing Directors may act notwithstanding any vacancy in their body but so that if the number falls below the minimum number above fixed, the Directors shall not except for the purpose of filling vacancies or of summoning a General Meeting act so long as the number is below the minimum.

### **ALTERNATE DIRECTOR**

*Power to appoint alternate director*

Article 89 provides that

Subject to the provision of Section 313 of the Act, the Board may appoint any person / to act as an alternate director for a Director during the later's absence for a period of not less than three month from the state in which meeting of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an alternate director, shall be entitled to notice of meeting of the Board and to attend and vote there at accordingly, but he shall ipso facto vacate office if and/when the absent director returns to state in which meeting of the Board are ordinarily held or the absent Director vacates office as a Director.

### **PROCEEDINGS AT BOARD MEETINGS**

*Meeting of Directors*

Article 93 provides that

The directors may meet together for the dispatch of business, adjourned and otherwise regulate their meetings and proceedings as they think fit. Notice in writing of every meeting of the Director shall ordinarily be given by a Director or such other officers of the company duly authorised in this behalf to every Director for the time being in India and at his usual address in India.

*Chairman*

Article 97 provides that

The Chairman of the Board of Directors shall be the Chairman of the meetings of Directors. Provided that if the Chairman of the Board of Directors is not present within five minutes after the appointed time for holding the same, the Directors present shall choose one of their numbers to be Chairman of such meeting.

*Quorum*

Article 94 provides that

The quorum for a meeting of the Directors shall be determined from time to time, in accordance with the provisions of Section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Directors, it shall be adjourned until such date and time, as the Directors present shall appoint.

*How questions to be decided*

Article 96 provides that

Subject to the provisions of Section 316,372(5) and 386 of the Act, questions arising at any meeting shall be decided by a majority of votes, each Director having vote and in case of an equality of votes, the Chairman shall have a second or casting vote.

*Appointment of committee and delegation of powers*

Article 99

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The Directors may subject to compliance of the provisions of the Act from time to time, delegate any of their powers to committee consisting of such member or members of their body as they think fit, and may from time to time revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated confirm to any regulations that may, from time to time be imposed on it by the Directors. The meeting and proceedings of any such committee, if consisting of two or more members, shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded by any regulation made by the Directors under this Article.

*When acts of a Director notwithstanding defective appointment*

Article 100 provides that

All acts done at any meeting of Directors or of a committee of the Directors or by any person acting as a Director shall be valid notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Directors, committee or persons acting as aforesaid or that they or any of them were disqualified.

*Resolution without Board meeting*

Article 101 provides that

Except resolution which the Companies Act, 1956, requires in specifically to be passed in a board meeting, a resolution may be passed by the Directors of Committee thereof by circulation in accordance with the provisions of Section 289 of the Act. And any such minutes of any meeting of Directors of any committee or of the Company if purporting to be signed by the Chairman of such meeting or by the Chairman of next succeeding meeting shall be receivable as prima facie evidence of the matters in such minutes.

*General powers of the Company*

Article 102 provides that

Subject to the provisions of the Act, the control of the Company shall be vested in the Directors who shall be entitled to exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not hereby or by law expressly required or directed to be exercised or done by the Company in General Meeting but subject nevertheless to the provisions of any law and of these presents, from time to time, made by the company in General Meeting, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

**MANAGING DIRECTORS**

*Power to Appoint Managing Directors*

Article 109 provides that

Subject to the provision of Section 197A, 269, 314, 316 and 317 of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director/Executive Directors or Managing Directors/Executive Directors of the Company and may, from time to time (subject to the provision 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 place or their places.

*What provision shall he be subject to*

Article 110 provides that

Subject to the provision of Section 255 of the Act and Article 89(4) hereof, a Managing Director/Executive Director shall not, while he continue to hold that office, be subject to retirement by rotation, but (subject to the provisions of any contract between him and the Company) he shall be subject to the same provision as to resignation and removal as the other Directors and he shall, ipso facto and immediately cease for any cause. However he shall be counted in determining the number of retiring directors.

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## **POWERS OF THE BOARD**

### *Special Powers of Board*

Article 102A provides that

Without prejudice to the general powers conferred by preceding article and the other powers conferred by these presents and so as not in any way to limit any or all these answers it is hereby expressly declared that subject as aforesaid, the Directors shall have the following powers:

- (1) to pay and charge to the capital account of the Company any interest lawfully payable thereto under the provisions of the Act;
- (2) to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorized to acquire at such price and generally on such terms and conditions as they think fit;
- (3) to acquire by purchase lease or in exchange or otherwise lands, buildings, hereditaments, machinery, rights, privileges, movable or immovable;
- (4) to erect, construct, enlarge, improve, alter, maintain, pull down, rebuild or reconstruct any buildings, factories, offices, workshops or other structures necessary or convenient for the purpose of the Company and to acquire lands for the purpose of the Company;
- (5) to let, mortgage, charge, sell or otherwise dispose of subject to the provisions of Section 293 of the Act, any property of the Company either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as they think fit and to accept payment or satisfaction for the same in cash or otherwise, as they may think fit.
- (6) at their discretion to pay for any property rights or privileges acquired by or services rendered to the company, either wholly or partially in cash or in shares, bonds, debentures, debentures-stock or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon and any such bonds, debentures, debenture-stock, or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged;
- (7) to insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the building, machinery, goods, stores, produce and other movable property of the Company either separately or co-jointly also to insure all or any portion of the good produce machinery and other articles imported or exported by the Company and to sell assign, surrender or exported by the Company and to sell, assign surrender or discontinue any policies of assurance affected in pursuance of this power;
- (8) Subject to Section 292 of the Act, to open accounts with any bank or bankers or with any company, firm or individual and to pay money into and drew money from any account for time to time as the Directors may think fit;
- (9) to secure the fulfillment of any contracts or arrangements entered into by the Company by mortgage or charge of all or any of the properties of the Company and its unpaid capital for the time being or in such other manner may think fit;
- (10) to attach to any shares to be issued as the consideration or part of the consideration for any contract with or property acquired by the Company or in payment for service rendered to the Company, such conditions subject to the provisions of the Act as to the transfer thereof as they think fit;
- (11) to accept from any member on such terms and condition as shall be agreed, a surrender of his shares or stock or any part thereof subject to the provision of the Act;
- (12) to appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company and property belonging to the Company or in which it is interested or for any other purpose and to execute and do all such deeds and things as may be requisite in relation to any such trust and to provide for the remuneration of such trustee and trustees;
- (13) to institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also subject to the provisions of

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Section 293 of the Act to compound and allow time for payment or satisfaction of any debts due, or any claims or demands by or against the Company;

- (14) to refer, subject to the provision of Section 293 of the Act, any claims or demands by or against the Company to arbitration and observe and perform the awards;
- (15) to act on behalf of the Company in all matters relating to bankrupts and insolvents;
- (16) to make and give receipts, release and other discharge for moneys payable to the Company and for the claims and demands of the Company subject to the provisions of Section 293 of the Act;
- (17) to determine from time to time who shall be entitled to sign on the Company's behalf, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents;
- (18) Subject to the provisions of Sections 292, 293, 370, and 372 of the Act, to invest and deal with any of the money of the Company not immediately required for the purposes thereof, upon such shares, securities or investments (not being shares in this Company) and in such manner as they may think fit, and from time to time to vary or realise such investments;
- (19) to execute in the name and on behalf of the Company in favour of any Director or other person who may incur to be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit and any such mortgage and contain a power of sale and such other powers, covenants and provisions as shall be agreed on;
- (20) subject to such sanction as may be necessary under the Act or the Articles to give to any Director, officer, or other person employed by the Company an interest in any particular business or transactions their by way of commission on the gross expenditure thereon or a share in the general profits of the Company; and such interests, commission or share of profits shall be treated as part of the working expenses of the Company;
- (21) to provide for the welfare of the employees or ex-employees of the Company and their wives, widows, families, dependants by contributing to the building of houses, dwellings or chawls or by grants of money, pensions allowances, gratuities, bonus or payments or by creating and from time to time subscribing or contributing to provident and other funds, institutions or trusts and by providing or subscribing or contributing towards places of amusement and recreation, hospitals and dispensaries, medical and other attendances and other assistance as the Directors shall think fit;
- (22) to subscribe or contribute or otherwise to assist or guarantee money to charitable, benevolent, religious, scientific, national, public or any other useful institution, objects or purposes or for any exhibition;
- (23) to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or super-annuation funds for the benefit of, and give or procure the giving of donations, gratuities, pension, allowances or emoluments, to any persons who are or were at any time in the employments or service of the Company, or of any Company which is a subsidiary of the Company, or is allied to or associated with the Company or with any such subsidiary Company or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and the wives, widows, families and dependants of any such persons, and also establish and subsidise and subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well beings of the Company or of any such other Company as aforesaid, and make payments to or towards the insurance of any such person as aforesaid, and do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid;
- (24) before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for Depreciation or to Depreciation Fund or Reserve Fund or Sinking Fund or any other Special Fund to meet contingencies or to repay redeemable preference shares, debenture or debenture stock or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any part of the property of the Company, and for such other purpose as the Directors may, in their absolute discretion, think conducive to the interests of the Company and to invest the several sums to set aside or so much thereof as required to be invested upon such investments (subject to the restrictions imposed by section 292 and 293 and other provision of the Act) as the Directors may think fit, and from time to time, to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company in such manner and for such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interests of the Company, notwithstanding that the matters to which

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the Directors apply or upon which they may expand the same or any part thereof may be matter to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special funds as the Directors think fit, and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in repayment or redemption of redeemable preference shares, debentures or debenture-stock and that without being bound to keep the same separate from the other assets or to pay interest on the same, with power, however to the Directors at their discretion to pay or allow to the credit of such funds, interest at such rate as the Directors may think proper;

- (25) to appoint and at their discretion to remove or suspend such managers, secretaries, officers, clerks, agents and servants for permanent, temporary or special service as they may from time to time think fit, and to determine their powers and duties, and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit and from time to time provide such amounts as they may think fit and from time to time provide for the management and transactions of the affairs of the Company in any specified locality in India in such manner as they think fit and the provisions contained in Clause(27) following shall be without prejudice to the general to the general powers conferred by this clause;
- (26) to comply with the requirement of any local law which in their opinion, shall be in the interest of the Company necessary or expedient to comply with;
- (27) at any time and from time to time by power of attorney to appoint any person or persons to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such condition as the Directors may from time to time think fit and any such appointment (if the Directors think fit) be made in favour of any Company or the members, directors, nominees or manager of any Company or firm or otherwise in favour of any fluctuating body of persons whether nominated, directly or indirectly, by the Directors and any such power of attorney may contain any such power for the protection or convenience of persons dealing with such Attorneys as the Director may think fit, and may contain powers enabling any such delegates or Attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them;
- (28) subject to the provision of the Act, generally and from time to time and at any time to authorise, empower or delegate to (with or without powers of sub-delegation) any Director, officer or officers or employee for the time being of the Company all or any of the powers, authorities and discretions for the time being vested in the Directors by these presents subject to such restrictions and conditions, if any, as the Directors may think proper;
- (29) to enter into all such negotiations and contracts and rescind and vary all such contracts and to execute and do all such acts, deeds and things in the same and on behalf of the Company they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company;
- (30) from time to time make, vary and repeal by-laws for the regulation of the business of the Company, its officers and servants;
- (31) to redeem redeemable preference shares.

#### *Power to delegate*

#### Article 103

Without prejudice to the general powers conferred by the preceding article the Directors may, from time to time, and at any time subject to the restrictions contained in the Act, delegate to managers, secretaries, officers, assistants and other employees or other persons (including any firm or body corporate) and of the powers authorised and discretions for the time being vested in the Directors.

#### **RESERVES**

#### *Reserves to be set aside out of profits*

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Article 58 provides that

Subject to the provision of the Act, the Board shall in accordance with Section 205(2A) of the Act, before recommending any dividend, set aside out of the profit of the Company such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may at the like discretion, either be employed in the business of the Company or be invested in such investment (other than shares of the Company as the Board may, from time to time, think fit). The Board may also carry forward any profit which it may think prudent not to divide without setting them aside as a reserve.

## **CAPITALISATION OF PROFITS**

### *Capitalisation*

Article 59 provides that

Any General Meeting may resolve that the whole or any part of the undivided profits of the Company (which expression shall include any premiums received on the issue of shares and any profits or other sums which have been set aside as a reserve or reserves or have been carried forward without being divided) be capitalised and distributed among such of the member as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised amount be applied on behalf of such members in paying up in full any unissued shares of the Company which shall be distributed accordingly or in or towards payments of the unsealed liability or any by such member in satisfaction of their interest in the said capitalised amount. Provided that any sum standing to the credit of a share premium account or a capital redemption reserve account may, for the purposes of this Article only be applied in the paying up of unissued shares to be issued to members of the company as fully-paid bonus shares.

## **DIVIDENDS**

### *How profits shall be divisible*

Article 115 provides that

Subject to Rights of members entitled to shares (if any) with preferential or special rights attached to them, the profits of the Company, from time to time, determined to be distributed as divided in respect of any year of other period shall be applied for payment of dividend on the shares in proportions to the amount of capital paid up of the Shares provided that unless the Board otherwise determines all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which dividend is paid Provided always that subject as aforesaid any capital paid up on a share during the period in respect of which a dividend is declared shall (unless the Board otherwise determines or the terms of issue otherwise provide, as the case may be) only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment but so that where capital is paid up in advance of call such capital shall not confer a right to participate in profits.

### *Declaration of dividend*

Article 116 provides that

The Company in Annual General Meeting may declare dividend to be paid to the members according to their rights and interest in the profits and may subject to the provision of Section 207 of the Act, fix the time for payment.

### *Retention of Dividend*

Article 124 provides that

Subject to Section 205A of the Act, the Directors may retain the dividends, payable upon shares in respect of which any persons under the transmission Article to become a member or which any person under the Article is

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entitled to become a member or which any person under the Article entitled to transfer until such person shall duly become a member in respect thereof or shall transfer the same, to the same,

*Interim Dividend*

Article 120 provides that

The Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

*Debts may be deducted*

Article 121 provides that

The Director may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists, subject to Section 205A of the Act.

*Dividend and call together*

Article 122 provides that

Subject to Section 205A of the Act, any Annual General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the company and the member be set off against the call. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.

*Dividends how remitted*

Article 126 provides that

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 the case of joint-holders to registered address of that one whose name stands first on the Register in respect of the joint holding or to such person and such address and the member or person entitled or such joint holders as the case may be, may direct and every cheque or warrant to be sent shall be, made payable at par to the person or to the order of the person to whom it is sent or to the order of such other person as the member or person entitled or such joint- holders, as the case may be, may direct.

**RECONSTRUCTION**

*Reconstruction*

Article 138 provides that

On any sale or the undertaking of the Company, the Directors or the Liquidators on a winding up may, if authorised by a special resolution, accept fully paid or partly paid up shares, debentures or securities, of any other Company whether incorporated in India or not other than existing or to be formed for the purchase in whole or in part of the property of the Company and the Directors of the profits of the Company may permit), or the Liquidators (in a winding-up) may distribute such shares or securities or any other property of the Company among the members without realisation or vest the same, in trustees for them and any special resolution may provided for the distribution or appropriation of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in case the Company is proposed to be or is in the course of being wound up, such statutory rights, if any, under Section 494 of the Act as are incapable of being varied or excluded by these presents.

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## **SECRECY**

*No shareholders to enter the premises of the Company without permission*

Article 139 provides that

Subject to the provision of law of land and the Act, no member or other person (not being a Directors) shall be entitled to enter upon the property of the Company or to inspect to examine the Company's premises or properties of the Company without the permission of the Directors or subject to Article 129 to require discovery or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process or of any matter whatsoever 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 members of the Company to communicate,

## **WINDING UP**

*Distribution of assets*

Article 140 provides that

If the Company shall be wound up and the assets available for distribution among the member as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid-up at the commencement of the winding up on the shares held by them respectively. And if in winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding-up, the excess shall be distributed among the members in proportion to the capital at the commencement of the winding-up, paid-up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

*Distribution of assets in specie*

Article 141 provides that

In the event of Company being wound up, whether voluntarily or otherwise, the liquidators may with sanction of a Special Resolution divide among the contributories, in specie or in kind any part of the asset of the Company and may with the like sanction vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories or any of them, as the liquidators, with like sanction, shall think fit.

## **INDEMNITY**

*Indemnity*

Article 142 provides that

Subject to the provisions of Section 201 of the Act, every Director, Manager, Secretary and other officer or employees of the Company shall be indemnified against and it shall be the duty of the Directors to pay out of the funds of the Company all bonafide costs, losses and expenses (including travelling expenses) which any such Directors, Manager or Secretary or other officer or employee may incur or become liable to by reason of any contract entered into or any way in the discharge of his or their duties and in particular, and so as not to limit the generality of the foregoing provision, against all liabilities incurred by him or by them as such Director, Manager, Officer or employee in defending any proceeding whether civil or criminal in which judgement is given in his or their favour or he or they is or are acquitted, or in connection with any application under Section 633 of the Act in which relief is granted by the court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the members over all other claims.

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## **MATERIAL DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by us) which are or may be deemed material have been entered or are to be entered into by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at 601, 6<sup>th</sup> Floor, Commercial Tower, Hotel Le Meridien, Raisina Road, New Delhi 110 001 from 11:00 a.m. to 1:00 p.m. from the date of this Draft Letter of Offer until the date of closure of the Subscription List.

### **A. Material Contracts**

1. Memorandum of Understanding dated March 29, 2007 among our Company and the Lead Manager.
2. Memorandum of Understanding dated March 29, 2007 among our Company and the Registrar to the Issue.
3. Letter of engagement dated March 1, 2007 from I-Sec offering their services to act as Lead Manager and Company's acceptance thereto.

### **B. Documents**

1. Memorandum and Articles of the Company.
2. Certificate of Incorporation of the Company dated February 16, 1996.
3. Copy of the Board resolution and the Right Issue Committee resolution dated March 5, 2007 and September 24, 2007 respectively authorising this Issue.
4. Consents of the Directors, Auditor and Lead Manager to the Issue, Legal Counsel to the Issue, Bankers to the Issue and Registrar to the Issue, to include their names in the Draft Letter of Offer to act in their respective capacities.
5. Letter dated September 22, 2007 from G S Ahuja and Associates, Chartered Accountants confirming Statement of Tax Benefits as mentioned in this Draft Letter of Offer.
6. The Auditors report as set out herein dated September 22, 2007 in relation to the restated standalone financial statements of the Company for the last five financial years and the consolidated audited financial statements of the Company for the last five financial years.
7. The Auditors report as set out herein dated September 18, 2007 in relation to the standalone audited financial statements of TV18, GBN, Setpro and Network 18 Holdings Limited for the last five financial years, as applicable.
8. Annual Report of the Company for the last five Financial Years.
9. Applications made for in-principle listing approval dated [●] to the BSE and NSE.
10. In-principle listing approval dated [●] and [●], respectively from BSE and NSE respectively.
11. Letter No. [●] dated [●] issued by SEBI for the Issue.
12. Due Diligence Certificate dated September 27, 2007 from ICICI Securities.
13. Scheme of Arrangement between TV18, the Company and SGA News Limited.

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## DECLARATION

No statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with. We further certify that all statements in this Draft Letter of Offer are true and correct.

### **SIGNED BY ALL THE DIRECTORS OF NETWORK 18 FINCAP LIMITED**

Name of Director	Signature
Mr. Raghav Bahl	
Mr. P.N. Bahl	
Mr. G.K. Arora	
Mr. Manoj Mohanka	
Mr. Sanjay Ray Chaudhuri	
Ms. Vandana Malik	

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Mr. Raghav Bahl  
Managing Director

Date: September 24, 2007

Place: New Delhi

Enclosure: Composite Application Form