



RAJ TELEVISION NETWORK LIMITED

(Registration No. 18-43457)
(Incorporated on June 3, 1994 under the Companies Act, 1956 as a public limited company)
Registered Office: 32, Poes Road, Second Street, Teynampet, Chennai 600 018
(The registered office of the company was shifted from 12-B, Poes Road, Third Street, Tenyampet, Chennai 600 018 to the above address w.e.f. September 5, 1999.)
Tel: 91 44 2433 4149; Fax: 91 44 2434 1260;
E-mail: ipo@rajtvnet.in; Website: www.rajtvnet.in
Tel: 91 44 24334149, E-mail: : ipo@rajtvnet.in
Compliance Officer: Mr. B. Satva Prakash

PUBLIC ISSUE OF 35,68,250 EQUITY SHARES OF FACE VALUE OF Rs.10/- EACH AT A PRICE OF Rs. [*] FOR CASH (INCLUDING PREMIUM OF Rs.[*] PER SHARE) AGGREGATING RS. [*] LAKHS, CONSISTING OF A FRESH ISSUE OF 22,70,700 EQUITY SHARES BY RAJ TELEVISION NETWORK LIMITED ('COMPANY' OR 'ISSUER') AND AN OFFER FOR SALE OF 12,97,550 EQUITY SHARES BY SELLING SHAREHOLDERS (HEREINAFTER REFERRED TO AS THE "ISSUE").

THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF UP TO 32,43,866 EQUITY SHARES OF RS. 10 EACH (THE "NET ISSUE") AND A RESERVATION OF UP TO 3,24,384 EQUITY SHARES OF RS. 10 EACH, FOR THE ELIGIBLE EMPLOYEES OF THE COMPANY("EMPLOYEE RESERVATION PORTION").

THE ISSUE CONSTITUTES 27.50% OF FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: Rs. [*] TO Rs. [*] PER EQUITY SHARE OF FACE VALUE Rs 10/- EACH

THE OFFER PRICE IS [*] TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [*] TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

The Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net offer to the public shall be allocated on proportionate basis to Qualified Institutional Buyers (including 5% for Mutual Funds). Further, not less than 15% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for its Equity Shares. The face value of the shares is Rs 10/- and the issue price is [*] times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager ("BRLM"), on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing

GENERAL RISKS

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

Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page [*] of this Draft Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). We have received in-principle approval from the NSE and BSE for the listing of our Equity Shares pursuant to letters dated [*], 2006 and [*], 2006, respectively. [●] shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER

VIVRO FINANCIAL SERVICES PRIVATE LIMITED
SEBI Regn. No.: INM000010122
1st Floor, Manu Mansion
16/18, Shahid Bhagatsingh Road
Opp. Old Custom House, Fort, Mumbai - 400 023
Tel.: 022-2265 7364, Fax: 022-2265 8406
Contact Person : Keval Gandhi
Website: www.vivro.net
E-mail: rajtv@vivro.net



REGISTRAR TO THE ISSUE

CAMEO CORPORATE SERVICES LIMITED
SEBI Regn. No.: INR 000003753
"Subramaniam" Building,
No. 1, Club House Road,
Chennai – 600 002
Tel No. 044-2846 0390, Fax: 044 – 2846 0129
Contact Person: R. D. Ramasamy
Website: www.cameoindia.com
E- Mail: rajtv@cameoindia.com



ISSUE SCHEDULE

BID/ ISSUE OPENS ON	[*]	BID/ ISSUE CLOSSES ON	[*]
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A. DEFINITIONS AND ABBREVIATIONS

I. CONVENTIONAL/ GENERAL TERMS

Term	Description
AGM	Annual General Meeting of Raj Television Network Limited
Articles / Articles of Association / AOA	Articles of Association of Raj Television Network Limited
Companies Act / Act	The Companies Act, 1956 as amended from time to time
Depository	A Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant registered as such under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor [as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000] registered with SEBI.
Financial year / Fiscal year / FY	Period of twelve months ended March 31 of that particular year
Indian GAAP	Generally accepted accounting principles in India
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
Memorandum / MOA	Memorandum of Association of Raj Television Network Limited
NRI / Non-Resident Indian	A person resident outside India who is a citizen of India or is person of Indian origin (as defined in Foreign Exchange Management (Deposit) Regulations, 2000)
ROC	Registrar of Companies, Tamil Nadu situated at Shashtri Bhavan, 26 Haddows Road, Chennai 600 034
RBI	Reserve Bank of India
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India, constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI/(DIP) Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time

II.OFFERING RELATED TERMS

Allotment	Issue of Equity Shares of the Company pursuant to the Public Issue to the successful Bidders.
Allottee	The successful Bidder to whom the Equity Shares are being issued.
Bankers to the Issue	The Bankers with whom the escrow account for the Issue shall be opened
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Price / Bid Amount	The amount equal to highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of

	the Bid in the Issue
Bid Opening Dates / Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil regional newspaper
Bid Closing Date / Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil regional newspaper
Bid cum Application Form	The Form in terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of this Draft Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which, this Issue is being made
BRLM	Book Running Lead Manager to the Issue, in this case being Vivro Financial Services Private Limited
CAN / Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no bids will be accepted
Cut-off price	Cut-off price refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	[●]
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the ROC, following which the Board of Directors shall allot Equity Shares to successful bidders
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with ROC at least three days before the bid/offer opening date. It will become a Prospectus after filing with ROC after the pricing
Equity Shares	Equity Shares of the Company of the face value Rs. 10 each, unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount and refunds (if any) of the amount collected to the Bidders
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s), the Syndicate Members and the BRLM for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	[●]
Eligible Employees	Permanent Employees on the rolls of the Company on the date of the Red Herring Prospectus.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be

	finalized and below which no Bids will be accepted
Issue /Public Issue	Public issue of 35,68,250 equity shares of face value of rs.10/- each at a price of rs. [•] for cash (including premium of rs.[•] per share) aggregating rs. [•] lakhs, consisting of a fresh issue of 22,70,700 equity shares by raj television network limited ('company' or 'issuer') and an offer for sale of 12,97,550 equity shares by selling shareholders (hereinafter referred to as the "issue".)
Issue Account	Account opened with the Banker to the issue to receive monies from the Escrow Accounts on the Designated Date
Issuer	Raj Television Network Limited
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Red Herring Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Members of the Syndicate	The BRLM and the Syndicate Members
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers, or Retail Individual Bidders and who have Bid for Equity shares for an amount more than Rs.1,00,000.
Non-Institutional Portion	The portion of the Issue being a minimum of 4,86,580 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
Offer for Sale	An offer for sale of 12,97,550 equity shares by Selling Shareholders
Pay-in-date	The last date specified in the CAN sent to the Bidders
Pay-in-Period	This term means (i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/issue Opening Date and extending until the Bid/issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/issue Opening Date and extending until the closure of the Pay-in-Date
Price Band	The Price band of a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•] and includes revision thereof
Pricing Date	The date on which the Company in consultation with the BRLM finalizes the Issue Price
Promoters	Mr. M. Raajhendhran, Mr. M. Rajaratnam, Mr. M. Raveendran and Mr. M. Regunathan.
Prospectus	The Prospectus filed with the ROC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
QIB Portion	The portion of the net issue being not less than mandatory 16,21,933 Equity Shares of Rs. 10/- each at the Issue Price, available for allocation to QIBs.
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Foreign Institutional Investors registered with SEBI, Multilateral And Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 25 Crores and

	Pension Funds with a minimum corpus of Rs. 25 Crores
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount in excess of Rs.1,00,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Net Issue being a minimum of 11,35,353 Equity Shares of Rs.10 each available for allocation to Retail Individual Bidder(s)
Registrar/ Registrars to the Issue	Cameo Corporate Services Limited, “Subramaniam” Building, No. 1, Club House Road, Chennai- 600 002
Revision Form	The Form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
Selling Shareholders	Mr. M. Raajhendran, Mr. M. Rajaratnam, Mr. M. Raveendran, Mr. M. Regunathan, Mrs.Amudha Raajhendran, Mrs.Vijayalakshmi Raveendran, Mrs.Aruna Rajaratnam and Mrs.Usharani Regunathan
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM and include the BRLM
Syndicate	The Syndicate Members collectively
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The Agreement among the BRLM, the Syndicate Members and the Company to be entered into on or after the Pricing Date

III. COMPANY/INDUSTRY RELATED TERMS

Auditors	The statutory auditors of the Company, Pratap Karan Paul & Co., Chartered Accountants
Board/ Board of Directors	Board of Directors of Raj Television Network Limited
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Face Value	Value of paid up equity capital per Equity Share, in this case being Rs. 10/- each
The Company / RTNL / Raj / We / Us / Our Company/ The Issuer	Raj Television Network Limited, incorporated under the Companies Act, 1956 on June 3, 1994
Registered Office /Registered Office of the Company	32, Poes Road, Second Street, Teynampet, Chennai 600 018

Glossary of Technical and Industry Terms

Terms	Description
C&S	Cable & Satellite
CAS	Conditional Access System
DoT	Department of Telecommunications
DSNG	Digital Satellite News Gathering
DTH	Direct to Home
Downlinking Guidelines	Guidelines issued by the Ministry of Information and Broadcasting dated November 11, 2005
FICCI	Federation of Indian Chambers of Commerce and Industry
FTA	Free to Air

IPTV	Internet Protocol Television
LCO	Local Cable Operator
MIB	Ministry of Information and Broadcasting
MPEG	Motion Picture Experts Group
MSO	Multi Service Operator
PIB	Press and Information Bureau
SNG	Satellite News Gathering
TC	Time Code
TDSAT	Telecom Dispute Settlement Appellate Tribunal
TAM	TAM Media Research
TRAI	The Telecom Regulatory Authority of India
TRAI Act	The Telecom Regulatory Authority Act, 1997
TRP	Television Rating Points
TVR	Television Viewer-ship Ratings
Up-linking Guidelines	Guidelines for Permission or License for Up-linking from India issued by the MIB on December 2, 2005 as amended from time to time.
Wireless Act	The Indian Wireless Telegraphy Act, 1933
WPC	Wireless Planning & Coordination Wing

IV. ABBREVIATIONS

Abbreviation	Full Form
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Accounting year
A/c	Account
BIFR	Board for Industrial & Financial Reconstruction
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
DRHP	Draft Red Herring Prospectus
EBITDA	Earning Before Interest Tax Depreciation and Amortization
EPCG	Export Packing Credit Guarantee
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of Equity Shares at the year end
GDP	Gross Domestic Product
IPO	Initial Public Offering
N.A.	Not Applicable
NAV	Net Asset Value being paid up Equity Share Capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued Equity Shares
NSE	The National Stock Exchange of India
NSDL	National Securities Depository Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
QIB	Qualified Institutional Buyer
ROC	Registrar of Companies
ROI	Return on Investment
RONW	Return on Net Worth

B. RISK FACTORS

I. FORWARD LOOKING STATEMENT AND MARKET DATA

In this Draft Red Herring Prospectus, the terms “we”, “us”, “our Company”, “the Company”, “Issuer”, “RTNL” unless the context otherwise implies, refer to Raj Television Network Ltd.

For additional definitions used in this Draft offer document, see the sections ‘Definitions and Abbreviations’ on page no. [redacted] of this Draft Offer document. In the section entitled “Description of Equity shares and Terms of Articles of Association of Raj Television Network Limited”, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Draft Offer document was obtained from internal Company reports, data and industry publications. Industry publication data generally state that the information contained in those publications has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Draft Offer Document is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

This Draft Offer document contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases like “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward looking statements”. Similarly, the statements that describe our objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us, that could cause actual results to differ materially from those contemplated by the relevant forward looking statements.

Important factors that could affect our results to differ materially from our expectations includes, inter-alia, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest 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 and foreign laws, regulations and taxes, changes in laws and regulations in the Television industry, changes in competition in the said industry and force majeure conditions.

For further discussion of factors that could cause our actual results to differ, refer to the section entitled “Risk factors” beginning on page no. [redacted] of this Draft Offer Document. 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 we, our Directors, the Lead Manager, nor any of their affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date thereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange.

In this Draft Offer Document, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “Crore” means “ten million”. In this Draft Offer document, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

All references to “Rupees” and “Rs.” in this Offer document are to the legal currency of India. Throughout this document references to the singular also refer to the plural and one gender also refers to any other gender wherever applicable.

II. Risk Factors

We broadcast channels in Tamil targeting the masses in Tamil Nadu and the adjoining areas, which may limit our opportunities for growth and our attractiveness to advertising customers and others.

Our viewers are basically the masses of Tamil Nadu knowing the Tamil language. Large national and international advertising customers may not be attracted to us if they believe that our reach is limited to small and distinct viewers. Although, our channels reach the expatriate population in the Gulf and Far East countries, such viewers may not be in sizeable numbers. Our market perception as a regional channel could adversely affect our growth prospects.

We are substantially dependent on our television channels, “RAJ TV” and RAJ DIGITAL PLUS” for our revenues.

Our revenues are generated from our television channels RAJ TV and RAJ Digital Plus. Change in preferences of viewers and advertisers and other related factors, could have an adverse effect on our business, financial condition and results of operations.

We are focused on the entertainment broadcasting.

Our success depends on the continued increase in viewership of our entertainment channels. We have not been in the other segments of the broadcasting industry like news, sports, devotional or kids channels. In the recent past these channels have been the growth drivers for this industry and have increased viewership. Further growth of existing channels and mushrooming of new channels could have an adverse effect on our business.

We rely on the co-operation of cable operators and multi-system operators for distributing our channels.

We have a large penetration amongst cable and satellite homes primarily due to our strong distribution network and cooperation of multi-system operators, cable operators and last-mile operators. In case of any dispute with either party or in case we are not able to offer them favourable terms in any dealings with them, we might lose the competitive advantage we have over other channels. A loss in penetration would directly affect our viewership, and thus our market share, which may adversely affect our profitability.

We require certain approvals or licenses to conduct our business, and our failure to obtain these in a timely manner or their non receipt at all may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions for the operation of our business, some of which are pending and for which we may either have to make or are in the process of making an application for obtaining the approval or its renewal. For more information, see the section titled “Government Approvals” on page [*]. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, on acceptable terms, or at all, our business may be adversely affected.

Our ability to acquire desired programming and artistic talent may be adversely affected by competition and increasing compensation payable to the artist.

Our success depends in part on our ability to attract popular artistic talent, who have a good viewership and fan following. However, because of intense competition among various channels, the compensation paid to artist have been increasing over the years over which we have no control. This may adversely affect our financials and business conditions.

We face significant competition from the existing channels and other potential entrants into the Tamil entertainment channel space.

Being a regional player, our viewers are limited to a limited geographical area i.e. the State of Tamil Nadu and surrounding area. Increase in channels targeting this limited mass of people may confuse the local mass which may lead to lack of viewership loyalty. We expect competition to increase with new channels being launched on a regular basis. This may further lead to loss of market share to competitors. Existing players are also consolidating their positions and leveraging brand image. Some of our competitors have access to significantly greater resources and hence the ability to compete more effectively. As a result of competition, we may have to reduce our advertising rates and increase our capital expenditures in order to compete with them, which may adversely affect our business.

We rely primarily on advertisement income

Our primary source of revenue is advertisement, which is in turn dependent on viewership, and loyalty of the viewers to the channel. Although a part of our revenues, nearly thirty percent (30%), accrue through subscription fee, with changes in technology for broadcasting television channels and various alternatives available for viewers in receiving content, we cannot ensure continued flow of income from advertisement revenues.

Our commercial success depends on our ability to cater to viewer preferences and maintain high market share.

The commercial success of our television channels depends largely on our ability to plan, acquire, produce and broadcast television programming that match viewer preferences and attract high viewership. There can be no assurance that we will continue to be able to cater to viewer preferences, or that viewers will continue to watch programs on our channels as in the past. We cannot be certain that a new program, whether produced by us or a third party producer will be popular until it is launched. In addition, even if our programs appeal to viewers, their success is also affected by the quality of the content and viewer preference. When positioned with a programme aired at the same time on some other channel as well as the availability of alternative forms of entertainment and other leisure activities. If some or all television programs shown on our channels are less attractive in the future than in the past, advertisers could reduce their advertising budget for our channels thereby having an adverse impact on our business and financial condition.

Due to the change in medium of distribution of television broadcast through CAS, DTH and IPTV our viewership may suffer.

Traditionally, satellite television distribution in India is distributed through cable operators. Through this medium the cable operator provides the consumer/viewer a composite bouquet of channels on a monthly subscription basis irrespective of viewers preference. However, with the advent of new technology such as DTH, CAS and IPTV, the choice of channels provided to the viewer shall be at his discretion for which the viewer shall be paying the subscription charges to the service provider. This scenario may affect the viewership of our channels as we shall now be susceptible to the contingency of the viewer preference for our channels which may affect our operations.

Our operations are subject to a degree of risk pertaining to technological breakdowns including our information technology based communication system which may disrupt our operations.

Our operations are subject to hazards inherent to information technology based communication system which links our operations. In the case of a technological breakdown, the process of broadcasting the channels may be adversely affected. This may adversely affect our business and operations.

Success of our new multi-content youth Tamil Channel cannot be ensured

We are increasing the bouquet of our channels and are planning to launch a multi content youth tamil Channel. We have already applied for a license from MIB and other authorities. This being a dedicated tamil multi content youth channel has its own inherent limitations as regards viewership and programming. Some of our competitors e already produced multi content channels and our channel shall be competing against these competitors who have established their presence in this space. Moreover, the success of this channel will depend on our ability to develop attractive programming that generates adequate viewership and enables us to sell advertising time at profitable rates.

Our pay channel revenues are determined by negotiations with cable operators, and are effected by under-reporting of subscribers by cable operators.

Both our channels RAJ TV and RAJ Digital Plus are pay channels. The Indian cable television market has historically been characterized by under-reporting of subscribers by cable operators. Our pay channel revenues suffer due to on under-reporting of subscribers by the cable operators. There is no assurance that this situation will change in the near future. However, with the advent of DTH, IPTV and implementation of CAS may reduce the gap between the actual and the reported subscriber base.

Our operations are concentrated in a single facility in Chennai, and we are vulnerable to natural disasters or other events that could disrupt those operations.

Substantial parts of our operations are located in one facility in Chennai. We are therefore vulnerable to the effects of a natural disaster, such as an earthquake, flood or fire or tsunami or other calamity or event that disrupts our ability to conduct our business or that causes material damage to our property at this location. We would have to contract with third parties for broadcasting capabilities and it could be difficult for us to maintain or resume quickly our operations in the event of a significant disaster at this facility. We do not have business interruption insurance, and we cannot assure you that our property insurance would cover any loss or damage to our assets.

Any inability to manage our rapid growth could disrupt our business.

We are increasing the bouquet of our channels and are planning to launch a Multi Content Youth Channel. There can be no assurance that we will be able to execute our proposed strategy on time and within budget or that we will meet the expectations of the targeted viewers, achieve the planned viewership, increase viewer loyalty or get customers who will advertise on our channels. We expect our growth pattern to place significant demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls. Larger broadcasting operations will also increase our fixed operating costs, and there can be no assurance that we will experience a sustained increase in revenue or derive operational synergies to offset these higher costs.

Our business is subject to extensive regulation by the Government, and failure to comply with such regulations could have an adverse effect on our business.

The broadcasting industry is subject to significant Government regulation. Our licenses to uplink/downlink our channels from India and/or abroad provides discretion to the Government to influence the conduct of our businesses by giving it the right to modify, at any time, the terms and conditions of our licenses or terminate or suspend our licenses due to any violation or non-compliance of various guidelines issued by the Government. Under these guidelines, the Government may also impose certain penalties including suspension, revocation or termination of a license, in the event of any default by us. Our business could be adversely affected if we fail to comply with these regulations or any adverse changes to the regulatory environment.

We are witnessing rapid technological changes in the broadcast of television channels, especially “last mile connectivity”.

There are technological limitations to the extent to which we can expand our network of channels. For example, both our present channels are being broadcast on digital format, whereas cable operators and subscribers are predominantly in the analog format. Analog format limits the bandwidth available for the transmission of new channels. This may act as a technical hindrance to our proposed new Multi Content channel. While digital technology and devices such as DTH, IPTV and CAS are beginning to be used in “last mile” connectivity, we cannot assure you whether we will be able to offer our channels on reasonable terms, on a timely basis, or at all on these new technologies/platform.

We have not yet placed orders or entered into agreements for substantial portions of our planned investments from the Net Proceeds of the Issue.

We intend to issue purchase orders for the equipment and construction of our studio to be financed from the proceeds of the Public Issue. We face a risk of increase in prices of these equipment and construction costs which may adversely affect our estimates of the project cost and thereby our results of operations and financial condition.

We are currently uplinking our channel to the satellite ThaiCom 3 through Shin Satellite Public Company Limited, Thailand.

The footprint of the beam covers South East Asia, Middle East and the Indian Sub Continent. If this satellite is not made available to us for any reason what so ever, alternate arrangements for securing a satellite have to be made and its availability, terms, cost, and time for securing the same could adversely affect our business operations.

We had received uplinking permission from the MIB in the year 2001. However, due to certain irregularities the same was revoked by the MIB in the year 2003.

Our Company made investments in a Teleport facility for uplinking our content from our own premises. The Company violated certain conditions consequent to which the MIB has issued a notice and revoked our license. Our investment in the Teleport facility is presently unutilized.

We are incapacitated from providing certain live coverage and are susceptible to customs penalties imposed by customs authorities.

Our Company had acquired an OB Van in which imported machinery was installed and which as a whole had been classified as a restricted item which necessitated an import license. The OB Van was impounded by the Customs authorities with a demand for payment of differential duty. In addition to the financial consequence of attendant penalties, our Company is incapacitated from providing live coverage through this OB Van. Our Company filed proceedings against this action and this matter is pending before the appropriate court /authority. For details of this dispute please see the Litigations Section of this DRHP on page [*].

Our inability to retain and attract key managerial personals could adversely affect our business.

Our ability to meet future business challenges depends on our ability to attract and recruit talented and skilled personnel. A numbers of our employees are skilled, qualified and experienced in our line of business, and we may

face competition to recruit and retain these manpower. Our future performance will depend upon the continued services of these personnel. The loss of any of the members of our senior management, our directors or other key personnel or an inability to manage the attrition levels in different employee categories may materially and adversely impact our business and results of operations.

Our Promoters and Promoter Group will continue to retain majority control in the Company after the Issue, which will enable them to influence the outcome of matters submitted to shareholders for approval.

Upon completion of the Issue, our Promoter / Promoter Group will own 72.50% of our post-Issue equity share capital. As a result, the Promoter and Promoter Group will have the ability to control our business including matters relating to distribution of dividends, election or termination or appointment of officers and directors. In addition, for so long as the Promoter and Promoter Group continue to exercise significant control over our Company, they may influence the material policies of the Company in a manner that could conflict with the interest of our other shareholders. The Promoter and Promoter Group may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our other shareholders do not agree.

Misappropriation of our intellectual property rights could harm our competitive position.

Our library of acquired and in-house programming is one of our most valuable assets. We rely on a copyright and license agreements, among other things, to protect our intellectual property rights. These protections may not be sufficient to prevent unauthorized parties from infringing upon or misappropriating our programs in the jurisdictions in which we operate. Changes to intellectual property law could also adversely affect the intellectual property protection available to our programming content, thereby reducing the value of such content. Although, we believe that our products, services and proprietary information do not infringe upon the intellectual property rights of others and that we have all the rights necessary to use the intellectual property employed in our business, there can be no assurance that infringement claims will not be asserted against us. We have had instances of our intellectual property rights violations, which also lead to litigations, regarding claims asserted on our intellectual property rights. For details these and other litigations please see the section on Litigations on page [*] of this DRHP.

Restriction on foreign investment in our Company, limits our ability to raise capital outside India.

According to the prescribed limits under the Foreign Direct Investment (FDI) Policy and applicable policy guidelines like the “Guidelines for Uplinking of News and Current Affairs Television channels from India” issued by the Government of India, as amended from time to time, not more than 26% of our equity capital, as a company in the news broadcasting industry, can be held by foreign investors, subject to FIPB approval. While calculating the 26% foreign investment, the proportion of foreign holding, if any, in the equity of the Indian shareholder companies of the Company will be duly accounted for on a pro rata basis so as to arrive at the total foreign holding in the company. For details please refer to section “Restrictions on foreign ownership of Indian securities” appearing on page no. [*]. This regulation limits our ability to seek and obtain additional equity investments from foreign investors, which may adversely affect our ability to raise capital, value of our then listed equity shares and expansion of our business.

We require certain registrations and no objection certificates from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require no objection certificate from Ministry of Information & Broadcasting for appointment of Directors and approval for the proposed public issue. For details of government approvals, please refer to section “Government and other Statutory Approvals” appearing on page no. [*] of DRHP. Our Company’s business may be adversely affected and our directors and officers may be subjected to proceedings under the relevant act for non compliance of various statutory registrations. Failure by us to renew, maintain or obtain the required approvals or no objection certificates may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of our operations.

The funds received from the proceeds of the Issue will be at the sole discretion of our Company and the purposes for which the proceeds of the Issue are to be utilized have not been appraised by an independent entity.

The purposes for which the proceeds of the Issue are to be utilized have not been appraised by an independent entity and are based on our estimates. There can be no assurances that we will be able to fully utilize the proceeds of issue as specified in the “Objects of the Issue”. For details on how we intend to use the proceeds of the fresh issue, see the section titled “Objects of the Issue” on page [*].

We have entered into transactions with related parties.

For Details see related party transactions on page []

Our Company can have a potential conflict of interest with other Promoter Group Company.

Our Promoter Group company, Vissa Television Limited has applied for a license to launch a Telugu entertainment channel targeting viewers from Andhra Pradesh knowing the telugu language. This may hinder our growth incase we desire to expand our operatins to this regional space.

Some of our Promoter Group Companies are incurring losses.

(Rs.in Lacs)

Name of Company	Profit /(Loss) after tax		
	2004	2005	2006
Vissa Television Limited	(720.35)	(237.76)	51.51

Litigations against our Company/Group Company and Concerns

Civil Cases: Certain persons have filed claims against our Company claiming an aggregate amount of Rs. 278.95 Lakhs.

Criminal &

Other Cases: Certain persons have filed criminal complaints against our Company for infringement of copyrights and other rights in films and other programmes.

For details of the above litigations and other matters relating to our Promoters and Promoter Group Companies and Firms, please see page [] of the Litigations Section of this Draft Red Herring Prospectus.*

Contingent Liabilities of our Companyas per the restated financial statement

Particulars	30.06.2006	31.03.2006	31.03.2005	31.03.2004
Bank Guarantee given for differential amount of Customs duty in respect of machinary imported under EPCG scheme.	7,733,300	7,733,300	13,509,240	13,509,240
Contingent Liability on account of Pay channel Deposit	10,872,508	9,185,617	25,415,300	36,500,000

EXTERNAL RISK FACTORS

Our business could be adversely impacted by economic, political and social developments in India.

Our performance and growth are dependent on the health of the Indian economy which could be adversely affected by various factors, such as political and regulatory action including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in these economies could adversely affect our advertisers and viewers, which in turn would adversely impact our business and financial performance and the price of our Equity Shares.

Valuation methodology and accounting practice in broadcasting businesses may change.

There is no standard valuation methodology or accounting practices in internet, media and related industries. The valuations in the media industry are presently high and may not be sustained in future. Additionally, current valuations may also not be reflective of future valuations within the industry.

Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.

The broadcasting industry is subject to rapid and significant changes in technology. Although we strive to keep our technology in accordance with the latest international technological standards, the technology currently employed by us may become obsolete or subject to new technologies. The cost of implementing new technology could be significant and could adversely affect our business and financial condition. In addition, our ability to respond to technological changes, may depend upon our ability to obtain additional financing, which we may not be able to obtain or may obtain on terms which may not be favourable to us.

Technical failures and natural disasters can damage our existing set up.

Our uplinking/downlinking and other infrastructure used in the process of broadcasting our channels, is vulnerable to technological failures and also to natural disasters such as earthquakes and floods. We do not maintain business interruption insurance to protect us from technological failures or from any other factors that could result in disruption of our business operations. The disruption of our services, due to damage of these equipments, would lead to loss of revenues and since we have no insurance against this loss of revenue, our business may be adversely affected.

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

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a wide variety of factors, including our results of operations and the performance of our business, competitive conditions and general economic, political and social factors, volatility in the India and global securities markets, the overall market for television broadcasting, the performance of the Indian and global economy and significant developments in India's fiscal regime. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

NOTES TO RISK FACTORS

- 1) The net asset value per Equity Share of Rs. 10/- each was Rs.192.99 as at 31st March 2006 and 209.12 as at 30th June 2006 as per our restated financial statements of the Company under Indian GAAP.
- 2) The net worth of our Company was Rs. 3443.14 Lakhs as at 31st March 2006 and Rs. 3730.84 Lakhs as per our restated financial statements under Indian GAAP.
- 3) The Company has issued bonus shares to all shareholders of the Company in the ratio of 5:1 i.e. five equity share for every one equity share held for every member whose name appears in the register of member as on 6th September 2006. The issue of bonus equity shares was made solely through capitalization of the reserves of the Company. The allotment of these Equity Shares was made on 8th September 2006. The net asset value per equity share after the bonus issue is Rs. 34.85.
- 4) The average cost of acquisition of Equity Shares of Rs. 10/- each by the Promoters is given below:

Name of our Promoter	Average cost of acquisition of Shares (Rs.)
Mr. M. Raajhendran	1.66
M. Rajarathinam	1.66
M.Raveendran	1.66
M.Reghunathan	1.66

- 5) Investors are advised to refer to the paragraph entitled "Basis for Issue Price" beginning on page [•] of this Draft Red Herring Prospectus before making an investment in this Issue.
- 6) The Promoter Group/ Directors of the Company have not purchased and or sold / financed any shares of the Company during the past six months.
- 7) Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
- 8) Investors may note that in case of oversubscription, allotment to Retail Investors and Non Institutional Investors shall be on proportionate basis and will be finalized in consultation with the Designated Stock Exchange. If the Issue is oversubscribed, the Designated Stock Exchange along with the concerned Post Issue Book Running Lead Manager and Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.

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- 9) The Issue is being made under clause 2.2.1 of SEBI (DIP) Guidelines, 2000, as amended, through a 100% Book Building process wherein up to 50% of the issue Size will be allocated on proportionate basis to Qualified Institutional Buyers (including 5% for Mutual Funds). Further, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.
 - 10) Investors are free to contact the BRLM or the Compliance Officer for any complaint, clarification or information relating to the Issue who will be obliged to provide the same to the investor.
 - 11) All information shall be made available by the BRLM and our Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
 - 12) For related party transactions, please refer to the section entitled "Related Party Transactions" on page [•] of this Draft Red Herring Prospectus.
 - 13) Public issue of 35,68,250 equity shares of face value of rs.10/- each at a price of rs. [•] for cash (including premium of rs.[•] per share) aggregating rs. [•] lakhs, consisting of a fresh issue of 22,70,700 equity shares by raj television network limited ('company' or 'issuer') and an offer for sale of 12,97,550 equity shares by selling shareholders (hereinafter referred to as the "issue".)

C. INTRODUCTION

I. SUMMARY

Industry Overview:

The Indian Television Industry:

The Indian television market is on the threshold of a major technological change. New distribution technologies – such as digital cable, DTH and IPTV – are planning to hit the market soon and broadcasters and cable operators are voluntarily opting for addressable cable systems. In fact, all spheres of the industry - content, broadcasting, distribution and regulation - are witnessing technological changes. The Telecom Regulatory Authority of India (TRAI), which was appointed as the regulator for the industry in 2004, has already begun putting major policy framework in place.

The Indian Broadcasting industry has seen a lot of change due to inherent technological advancements. The main branches of broadcasting are :

- **Terrestrial broadcasting**
Terrestrial broadcasting is carried out through transmitters and is received by households through antennas. Prasar Bharati (Broadcasting Corporation of India) is the only terrestrial broadcaster in India and is owned by the Government of India.
- **Cable and satellite broadcasting,**
Cable and Satellite (C&S) is broadcast by the uplink of the channel to a satellite, which then provides the downlink signal to a wide region. The downlink signal is received by ground-based cable distributors through dish antennas, amplifiers and decoders. There are a large number of operators in India, consisting of MSOs, as well as LCOs who provide the “last mile” connection. In most areas, there is only one provider of the last mile connection.
- **DTH**
DTH broadcasting has put the power of choice in the hands of the consumer. The last mile distribution segment is expected to see a further boost with the entry of new DTH players entering the market.
- **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 point of time.
- **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.

The revenues streams of companies in this industry come primarily form the following areas.

- Advertisements
- Subscription
- Content Syndication and other income.

As per industry estimates, the total advertisement spend in India last year was approximately INR 118 Billion. With the economically empowered middle class leading the FMCG and consumerism boom,

global brands are expected to continue and increase their advertisement appetite in India. The total television advertisement shall grow atleast by a 13.5% increase on a year on year basis.

Also subscription shall increase through new and non-traditional mediums of broadcasting. Over the next few years, cable and satellite, along with emerging delivery platforms like DTH and IP-TV are expected to close in on the gap further. It is expected that television connectivity in India can reach 134 million households by 2010, of which as many as 85 million, or 63.5% could be connected through cable and satellite, DTH, IP-TV or other non-terrestrial broadcast platforms. Hence, it is perceived that the subscription revenues will be on the upswing in the years to come.

Business Overview:

We are a regional media house, running entertainment channels in the Tamil language. We presently broadcast two widely viewed channels 'Raj TV' and 'Raj Digital Plus' ("*Raj TV Network*") which together make us one of the largest regional satellite television broadcaster in Tamilnadu. Our premier channel RAJ TV has been in operation since 1994. We are in the process of launching another in the Tamil language television channel which shall be a multi content channel targeting the youth. Our Network enjoys a good brand value among the viewers for its content & unbiased social views.

RAJ TV was launched in 1994 by our CMD Mr. M. Raajhendran along with his brothers, who specialize in their specific business areas. RAJ TV was one of the first channels to convert broadcast through analog transmission into digital. The Raj TV Network has a large content base which addresses every member of the family and thereby making it a true "People's Channel".

RAJ TV Network has an advantage of being a mass channel with attractive programming to cater to the needs of the entire family. The Raj TV Network provides the right mix of entertainment, news, religion and culture to provide a wholesome package. The Network provides programmes ranging from films, serials, game shows, classical concerts and programmes related to spiritual tourism apart from discourses by spiritual gurus. We hold broadcast rights for spiritual programmes of more than 1000 hours of content with a potential to add aggregate 100 hours of content every year.

We have the largest movie database in Tamilnadu. We hold the rights for around 1368 Tamil films comprising of old classics to recent blockbuster films. Our Company also produces non-fiction & other cultural programs which has a wide following among viewers.

We devote most of our resources in producing our own serials, film / non film based programmes and employ directors and other technicians including production houses to produced quality programmes for our channels. We have also produced several non-fiction & cultural programs which have wide viewership. With self produced content, our Company owns and holds the entire rights over these programmes and has build an intellectual property base for itself.

We have predominantly positioned ourselves as a regional player and a 'People's Channel', delivering the required regional flavour. We enjoy good brand value, primarily due to our concentration on the Tamil speaking population. Over the years, we have focused on catering to the local tastes and preferences of the viewers in the region which has positioned us as one of the leading tamil satellite regional television network. We have concentrated on developing local language programming with wide ranging formats to suit viewers preference. We regularly change our programming formats to respond to changes in preferences and trends of the viewers.

THE ISSUE / OFFER

Equity Shares offered	
Fresh Issue by the Company	22,70,700 Equity Shares
Offer for Sale by Existing Shareholder	12,97,550 Equity Shares
Total	35,68,250 Equity Shares
Of which	
Employee Reservation Portion	3,24,384 Equity Shares (Allocation on a proportionate basis)
Net Offer to the Public	32,43,866 Equity Shares
Qualified Institutional Buyers Portion	Minimum 16,21,933 Equity Shares of face value of Rs. 10/- each constituting not more than 50% of the Net Offer to the Public
Non-Institutional Portion	Minimum 4,86,580 Equity Shares of face value of Rs. 10/- each, constituting 15% of the Net Offer to the Public
Retail Portion	Minimum 11,35,353 Equity Shares of face value of Rs. 10/- each, constituting 35% of the Net Offer to the Public
Equity Shares outstanding prior to the Issue	1,07,04,642 Equity Shares of face value of Rs. 10/- each
Equity Shares outstanding after the Issue	1,29,75,342 Equity Shares of face value of Rs. 10/- each

Note:

- A) Under-subscription, if any, in the Employees Reservation Portion will be added back to the Net Offer to the Public.
- B) Under subscription, if any, in any of the above categories would be allowed to be met with from the other categories, at the sole discretion of the Company and the BRLM

III. FINANCIAL SUMMARY

The following summary of financial data has been prepared in accordance with the Companies Act and the SEBI Guidelines and restated as described in the Auditors' Report of M/s. Pratap Karan Paul & Co., Chartered Accountants, Chennai dated 5th September, 2006 in the section titled "Financial Information of our Company". You should read this financial data in conjunction with the Company's financial statements for each of fiscal 2002, 2003, 2004, 2005, 2006 and Quarter ended June 2006, including the Notes thereto and the Reports thereon, which appears on page [•] under sub-heading "Auditors' Report" in this Draft Red Herring Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements" on page [•] of this Draft Red Herring Prospectus.

Statement of Profit & Loss Account, as restated:

RAJ TELEVISION NETWORK LIMITED

ANNEXURE II : SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(All amounts are in Indian Rupee, unless otherwise stated)

No.	PARTICULARS	Period ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
		30.06.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
A.	INCOME						
	Revenue	92,876,767	337,899,736	312,836,671	368,464,537	303,978,818	258,720,877
	Less : Service Tax	2,768,368	22,816,490	20,382,035	17,662,877	12,587,092	4,458,497
	Net Income	90,108,399	315,083,246	292,454,636	350,801,660	291,391,726	254,262,380
	Other Income	472,985	4,014,355	3,987,595	3,352,839	7,323,875	8,354,160
	Extra Ordinary Income	-	500,000	-	-	-	-
	TOTAL INCOME	90,581,384	319,597,601	296,442,231	354,154,499	298,715,601	262,616,540
B.	EXPENDITURE						
	Operational Expenses	19,691,401	135,720,670	137,745,388	199,319,665	138,060,380	99,856,299
	Administration and Selling Expenses	12,279,058	66,635,063	53,923,486	44,012,699	36,592,688	35,523,594
	Establishment Expenses	8,635,547	32,649,750	30,280,654	31,173,478	29,623,923	23,521,824
	Financial Expenses	1,794,436	10,680,821	8,653,705	9,041,112	10,785,403	19,274,107
	Depreciation / Amortisation	4,399,324	17,305,333	39,710,216	41,207,071	39,510,080	37,119,901
	TOTAL EXPENDITURE	46,799,766	262,991,637	270,313,449	324,754,025	254,572,474	215,295,725
C.	PROFIT BEFORE TAX	43,781,618	56,605,964	26,128,782	29,400,474	44,143,127	47,320,815
	Provision for Taxation						
	- Current	14,841,994	18,645,643	9,836,969	9,635,102	16,222,599	17,157,572
	- Deferred	(105,102)	691,504	-	-	-	-
	- Fringe Benefit Taxation	275,463	1,661,252	-	-	-	-
D.	NET PROFIT AFTER TAX	28,769,263	35,607,565	16,291,813	19,765,372	27,920,528	30,163,243

E.	ADJUSTMENT ON ACCOUNT OF CHANGE IN ACCOUNTING POLICY -						
	Depreciation	-	-	(22,120,904)	(26,293,459)	(27,283,629)	(25,405,167)
	Deferred Tax	-	-	6,568,341	9,299,483	8,828,820	8,192,249
	Total	-	-	(15,552,563)	(16,993,976)	(18,454,809)	(17,212,918)
F.	OTHER ADJUSTMENTS						
	Production Expenses	-	-	1,965,187	-	-	-
	Provision for Gratuity	-	-	83,594	77,996	119,306	73,739
	Wealth tax	-	-	20,109	11,719	40,890	-
	Total other adjustments	-	-	2,068,890	89,715	160,196	73,739
G.	NET PROFIT, AS RESTATED (D-E-F)	28,769,263	35,607,565	29,775,486	36,669,633	46,215,141	47,302,422
	Profit at the beginning of the period	326,473,341	290,865,775	261,090,289	224,420,656	178,205,515	130,903,093
	Balance Carried Forward, as restated	355,242,604	326,473,341	290,865,775	261,090,289	224,420,656	178,205,515

Statement of Assets & Liabilities, as restated:

RAJ TELEVISION NETWORK LIMITED

ANNEXURE I : SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

		<i>(All amounts are in Indian Rupee, unless otherwise stated)</i>					
No.	PARTICULARS	As at	As at	As at	As at	As at	As at
		30.06.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
A.	FIXED ASSETS						
	Gross Block	403,262,395	402,992,641	361,616,806	340,641,906	267,453,673	243,166,267
	Less : Accumulated Depreciation	85,641,681	81,242,357	65,454,291	48,903,446	33,989,834	21,763,383
	Net Block	317,620,714	321,750,284	296,162,515	291,738,460	233,463,839	221,402,884
	Capital Work in Progress	-	-	-	-	3,603,062	-
	Total	317,620,714	321,750,284	296,162,515	291,738,460	237,066,901	221,402,884
B.	CURRENT ASSETS, LOANS AND ADVANCES						
	Loans and Advances	57,108,652	56,331,988	90,250,050	83,825,264	29,416,650	13,835,269
	Cash and Bank Balances	70,738,165	54,452,061	54,401,555	49,209,894	19,845,292	25,577,082
	Sundry Debtors	112,744,417	90,623,826	75,117,217	98,903,650	120,560,683	109,443,759
	Inventory	-	-	-	436,635	1,437,091	-
	TOTAL	240,591,234	201,407,875	219,768,822	232,375,443	171,259,716	148,856,110

C.	LIABILITIES AND PROVISIONS						
	Secured loans	58,761,128	63,882,709	94,750,568	135,127,573	89,291,680	124,206,710
	Current liabilities and Provisions	81,935,099	70,423,888	68,628,275	73,175,694	48,298,932	31,984,450
	Deffered tax Liability	44,432,047	44,537,150	43,845,646	36,879,276	28,474,278	18,021,248
	TOTAL	185,128,274	178,843,747	207,224,489	245,182,543	166,064,890	174,212,408
D.	NETWORTH (A+B-C)	373,083,674	344,314,412	308,706,848	278,931,360	242,261,727	196,046,586
	REPRESENTED BY-						
E.	SHARE CAPITAL	17,841,070	17,841,070	17,841,070	17,841,070	17,841,070	17,841,070
F.	RESERVES AND SURPLUS						
	Accumulated Profit	355,242,604	326,473,341	290,865,775	261,090,289	224,420,656	178,205,515
G.	NETWORTH (E+F)	373,083,674	344,314,411	308,706,845	278,931,359	242,261,726	196,046,585

IV.GENERAL INFORMATION

Raj Television Network Limited was incorporated on June 3, 1994 as a public limited company under registration no. 18-27709 with the Registrar of Companies, Tamil Nadu situated at Shashtri Bhavan, 26 Haddows Road, Chennai 600 034. The Registered Office of the Company is situated at 32, Poes Road, Second Street, Teynampet, Chennai 600 018.

BOARD OF DIRECTORS

Name of the Directors	Designation	Status
Mr. M. Raajhendhran	Chairman & Managing Director	Executive
Mr. M. Rajaratnam	Whole Time Director	Executive
Mr. M. Raveendran	Whole Time Director	Executive
Mr. M. Regunathan	Whole Time Director	Executive
Mr. R. Rajagopalan	Director	Independent Non-Executive
Mr. D. R. Karthikeyan	Director	Independent Non Executive
Mr. Aurjuna Pai	Director	Independent Non Executive
Dr. Mohan Kameswaran	Director	Independent Non Executive

For a brief profile on our Directors, please see Section “Our Management” on page no. [*] of this DRHP.

COMPLIANCE OFFICER

Mr. B. Satya Prakash

32, Poes Road, Second Street,
Teynampet, Chennai 600 018

Tel: 91 44 2433 4149;

Fax 91 44 2434 1260

E-mail: ipo@rajtvnet.in

Website: www.rajtvnet.in

Note: Investors are advised to contact the Compliance Officer in case of pre-issue or post-Issue related problems such as non-receipt of letter of allotment/ share certificates/ credit of securities in depositories beneficiary account/ refund orders, etc.

BANKERS TO THE COMPANY

Canara Bank

Teynampet Branch,

563/1, Anna Salai,

Teynampet,

Chennai 600 018.

Tel: 044 - 24349124

Fax: 044 - 24349289

Email: chn0416@canbank.co.in

Indian Bank

Thousand lights Branch,
Kannammal Building,
611, Anna Salai,
Thousand Lights,
Chennai
Tel: 044-28293637
Fax: 044-28293637
Email: ibthouli@indianbank.co.in

State Bank of India

Overseas Branch
86, Rajaji Salai
Chennai
Tel: 044-25233411, 25223272
Fax: 044- 25233903
Email: sbiosbe@md3.vsnl.net.in

ISSUE MANAGEMENT TEAM**BOOK RUNNING LEAD MANAGER****Vivro Financial Services Private Ltd.**

1st Floor, Manu Mansion
16/18, Shahid Bhagatsingh Road
Opp. Old Custom House, Fort,
Mumbai - 400 023
Tel: 022-2265 7364, Fax: 022-2265 8406
Contact Person: Keval Gandhi
E-mail: rajtv@vivro.net,
Website: www.vivro.net

REGISTRAR TO THE ISSUE**Cameo Corporate Services Ltd.**

“Subramaniam” Building,
Club House Road,
Chennai – 600 022
Tel No. 044-2846 0390,
Fax: 044 – 2846 0129
Contact Person: R. D. Ramasamy
E- Mail: rajtv@cameoindia.com
Website: www.cameoindia.com

LEGAL ADVISOR TO THE ISSUE**Rajani Associates**

Advocates & Solicitors,
F-4 “C” Road, Churchgate,
Mumbai- 400 020, India
Tel: 022 22021010
Fax: 022 22021011
Contact Person: Prem Rajani
E-mail: iInfo@rajaniassociates.net

LEGAL ADVISOR TO THE COMPANY

HSB Partners

Advocates
New# 388 (old # 194)
Lloyds Road ,
Chennai 600086
Tel:044-28352989
Email:lawoffice@hsbpartners.com

STATUTORY AUDITORS OF THE COMPANY

M/s. Pratap Karan Paul & Co.

Chartered Accountants,
63, Kamraj Avenue,
First Street, Adyar,
Chennai- 600 020
Tel: 044 –24912619
Fax: 044-24412432
E-mail: pratapkaran@vsnl.com

BANKERS TO THE ISSUE/ESCROW COLLECTION BANKS

[.]
[.]

The Bankers to the issue will be appointed before filing of the Red Herring Prospectus with ROC

SYNDICATE MEMBERS

[.]

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES BETWEEN BRLM

Since there is only one BRLM to the Issue, all responsibilities and co-ordination for various activities in this Issue will be handled by the BRLM.

CREDIT RATING

As this is an Issue of Equity Shares, credit rating is not required.

MONITORING AGENCY

No agency has been appointed to monitor the utilization of funds.

APPRAISING AGENCY

The project for which the funds are being raised has not been appraised by any agency.

TRUSTEES

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

BOOK BUILDING PROCESS

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

1. The Company
2. Book Running Lead Managers (BRLM), in this case being Vivro Financial Services Private Limited
3. Syndicate Members, who are the intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLM, in this case being Vivro Financial Services Private Limited.
4. The Registrar to the Issue, being Cameo Corporate Services Limited

SEBI, through its guidelines, has permitted an issue of securities to the public through the 100% Book Building Process, wherein not more than 50% of the Net Issue shall be allocated on proportionate basis to Qualified Institutional Buyers (QIBs), including 5% allocation to domestic Mutual Funds. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid Closing date.

Pursuant to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. See page [•] for the section titled "Terms of the Issue" in this Draft Red Herring Prospectus.

The Company shall comply with guidelines issued by SEBI for this Issue. In this regard, the Company has appointed Vivro Financial Services Private Limited to the issue to procure subscriptions to the Issue.

The process of book building, under SEBI DIP Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process of Book Building prior to making a Bid in the Issue.

Illustration of Book Building and Price Discovery Process

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs.100 to Rs. 120 per share, issue size of 1,800 equity shares and receipt of five bids from bidders. A graphical representation of the consolidated demand and price would be made available on the website of BSE (www.bseindia.com) and NSE (www.nseindia.com) and also at the bidding centers during the Bidding/Issue Period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	120	500	27.77%
1,000	115	1,500	83.33%
1,500	110	3,000	166.67%
2,000	105	5,000	277.78%
2,500	100	7,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the issue is subscribed, i.e., Rs. 110 in the above example. The issuer company in consultation with BRLM will finalize the issue price at or below such cut off price, i.e., at or below Rs. 110. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken for bidding:

1. Check eligibility for bidding (see the section titled “Issue Procedure - Who Can Bid” on page ____ of this Draft Red Herring Prospectus);
2. Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attach copies of your PAN card to the Bid cum Application Form(see the section titled “Issue Procedure ‘PAN’ or ‘GIR’ Number on PageNo. ____) and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with ROC, the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue.

Name of Address of the Underwriter	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In millions)
Vivro Financial Services Pvt. Ltd. 1 st Floor, Manu Mansion 16/18, Shahid Bhagatsingh Road Opp. Old Custom House, Fort, Mumbai 400 023 Tel.: 022-2265 7364, Fax: 022-2265 8406 Website : www.vivro.net Email: mumbai@vivro.net	[•]	[•]

The above is indicative underwriting arrangement and this would be finalized after the pricing and actual allocation.

Declaration by the Board of Directors

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

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

V. CAPITAL STRUCTURE OF THE COMPANY

The Share Capital of our Company as on the date of filing of this Red Herring Prospectus with SEBI is as set forth below:

No. Of Shares	Nominal Value	Aggregate Value At Issue Price
A. Authorized Capital		
1,50,00,000 equity shares of Rs. 10/- each	15,00,00,000	
B. Issued Subscribed and paid up capital		
1,07,04,642 equity shares of Rs 10/- each	10,70,46,420	
C. Present Issue to the public in terms of this Draft Red Herring Prospectus		
Out of the above		
a) Fresh Issue of 22,70,700 Equity shares of Rs. 10/- each at a premium of Rs. [*] per share	2,27,07,000	[•]
b) Offer for Sale of 12,97,550 Equity shares of Rs. 10/- each at a premium of Rs. [*] per share by selling shareholders	1,29,75,500	[•]
Out of which		
3,24,384 Equity shares of Rs 10/- reserved for allotment to Eligible Employees of the Company on a competitive basis		
D. Net Issue to the public in terms of the Draft Red Herring Prospectus	32,43,840	[•]
32,43,866 Equity Shares of Rs. 10/- each at a premium of Rs. [*] per share		
E. Post Issue paid up Equity Share Capital		
1,29,75,342 Equity shares of Rs 10/- each	3,24,38,660	[•]
F. Share Premium Account		
Before the Issue		
After the Issue	12,97,53,420	
	Nil	
	[•]	

Details of Increase in Authorized Capital

Sr. No.	Particulars of Increase	Date of Meeting	Nature of Meeting
1	50,000 Equity Shares of Rs 10 each	At Incorporation	-
2	Increase in Authorized Capital from 50,000 Equity Shares of Rs.10/- each to 20,00,000 Equity Shares of Rs.10/- each.	19 th January 1998	EGM
3	Increase in Authorized Capital from 20,00,000 Equity Shares of Rs.10/- each to 1,50,00,000 Equity Shares of Rs.10/- each.	31 st March 2006	EGM

The details of the Equity Shares being offered in the Offer for Sale by each of the Selling Shareholder are as follows:

Sr. No.	Names of the Selling Shareholders	No. of Equity Shares
1	Mr. M. Raajhendran	202204
2	M. Rajarathinam	202204
3	M.Raveendran	202204
4	M. Reghunathan	202204
5	Amudha Raajhendran	122185
6	Vijayalakshmi Raveendran	122183
7	Aruna Rajarathinam	122183
8	Usharani Reghunathan	122183

NOTES TO CAPITAL STRUCTURE

1. Share Capital History of the Company:

Date on which Equity shares were allotted and made fully paid up	No. Of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Allotment	Reasons for Allotment	Cumulative No. of Shares	Cumulative paid up capital (Rs.)
3 rd June 1994	7	10	10	Cash	Subscribers to the Memorandum of Associations	7	70
14 th Dec 2000	1784100	10	10	Cash	Subscribed by existing Shareholders	1784107	17841070
8 th September 2006	8920535	10	10	Bonus	Bonus to Existing Equity Shareholders	10704642	107046420

The Company has issued 89,20,535 Equity Shares of Rs. 10/- each on 8th September 2006 as bonus shares in the ratio of 5:1 i.e. five equity shares for every one equity share held by the member, whose name appears in the register of members of the company as on 6th September 2006, by capitalization of free reserves, details of which are stated in the notes to Capital Structure.

2. Promoters Contribution and Lock-In:

(I) Promoter's Share holding

Name of Promoter	Date on which Equity shares were allotted/acquired and made fully paid up	No. of Equity Shares	Face Value (Rs.)	Nature of Payment of Consideration	Percentage of Pre-issue shareholding	Lock in Period (in Years)
Mr. M. Raajhendhran	03-06-1994	1	10	Cash		1 Year
	14-12-2000	202204	10	Cash		Offer for sale
	14-12-2000	75821	10	Cash		1 Year
	08-09-2006	741363	10	Bonus		1 Year
	08-09-2006	648767	10	Bonus		3 Years
	Total	1668156			15.58%	
Mr. M. Rajaratnam	03-06-1994	1	10	Cash		1 Year
	14.12.2000	202204	10	Cash		Offer for sale
	14.12.2000	75821	10	Cash		1 Year
	08-09-2006	741363	10	Bonus		1 Year
	08-09-2006	648767	10	Bonus		3 Years
	Total	1668156			15.58%	
Mr. M. Raveendran	03-06-1994	1	10	Cash		1 Year
	14.12.2000	202204	10	Cash		Offer for sale
	14.12.2000	75821	10	Cash		1 Year
	08-09-2006	741363	10	Bonus		1 Year
	08-09-2006	648767	10	Bonus		3 Years
	Total	1668156			15.58%	
Mr. Reghunathan	03-06-1994	1	10	Cash		1 Year
	14.12.2000	202204	10	Cash		Offer for sale
	14.12.2000	75821	10	Cash		1 Year
	08-09-2006	741363	10	Bonus		1 Year
	08-09-2006	648767	10	Bonus		3 Years
	Total	1668156			15.58%	
Promoters Shareholding		6672624			62.32%	

(II) Share holding of Promoter Group

Name of Promoter	Date on which Equity shares were allotted/acquired and made fully paid up	No. of Equity Shares	Face Value (Rs.)	Nature of Payment of Consideration	Percentage of Pre-issue shareholding	Lock in Period (In Years)
Mrs. Amuda Raajhendran	30-03-1999	1	10	Cash		1 Year
	14-12-2000	122185	10	Cash		Offer for Sale
	14-12-2000	45815	10	Cash		1 Year
	08-09-2006	840005	10	Bonus		1 Year
	Total	1008006	10		9.42%	
Mrs. Aruna Rajaratnam	30-09-1999	1	10	Cash		1 Year
	14-12-2000	122183	10	Cash		Offer for Sale
	14-12-2000	45816	10	Cash		1 Year
	08-09-2006	840000	10	Bonus		1 Year
	Total	1008000			9.42%	
Mrs. Vijayalakshmi Raveendran	14-12-2000	1	10	Cash		1 Year
	14-12-2000	122183	10	Cash		Offer for Sale
	14-12-2000	45816	10	Cash		1 Year
	08-09-2006	840000	10	Bonus		1 Year
	Total	1008000			9.42%	
Mrs. Usharani Reghunathan	30-09-1999	1	10			1 Year
	14-12-2000	122183	10	Cash		Offer for Sale
	14-12-2000	45816	10	Cash		1 Year
	08-09-2006	840000	10	Bonus		1 Year
	Total	1008000			9.42%	
Vishalakshy Raajhendran	30-09-1999	1	10			1 Year
	08-09-2006	5	10	Bonus		1 Year
	Total	6				
Vishalakshy Raajhendran	30-09-1999	1	10			1 Year
	08-09-2006	5	10	Bonus		1 Year
	Total	6				
Total		4032018			37.68	

4. A total of 2595068 Equity Shares forming 20% of the post Issue paid up capital of our company shall be locked for a period of three years as minimum Promoters contribution. The lock-in shall start from the date of allotment in the proposed Issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the public issue. The entire pre-Issue capital other than: (a) locked in as minimum Promoters' contribution and (b) offered as part of the Offer for Sale, shall be locked in for a period of one year from the date of Allotment under this Issue.
5. Shares held by Promoter(s) which are locked in, may be transferred to and amongst Promoter/Promoter group subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as applicable.
6. Equity shares of Promoters, locked in may be pledged only with banks or financial institution as collateral security for loans granted by such banks or FIs provided the pledge of shares is one of the terms of sanction of loan.
7. The Promoters' Contribution has been brought in from persons defined as Promoters under the Guidelines.
8. The Company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the Company.
9. The Company/Promoters/Directors/Lead Merchant Banker have not entered into buyback or similar arrangements for purchase of securities issued by the Company.
10. An over subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest multiple of 1 (Minimum allotment lot) while finalizing the basis of allotment.
11. As on date of filing of Draft Red Herring Prospectus with SEBI, the issued capital of the Company is fully paid up.
12. Undersubscribed portion in any reserved category may be added to any other reserved category. Unsubscribed portion, if any, after such inter se adjustments amongst the reserved category shall be added back to the Net Offer to the Public. In case of under subscription in the net offer to the public portion, spillover to the extent of under subscription shall be permitted from the reserved category to the net offer to the public.
13. In case of over-subscription in all categories, up to 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (QIBs) (including 5% to Domestic Mutual Funds), a minimum of 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a minimum of 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM.
14. Only our Eligible Employees, as on the date of filing the Red Herring Prospectus with ROC would be eligible to apply in this Issue under reservation for employees on a competitive basis. Separate Bid Applications can be made by Eligible Employees under the Net Issue to the Public category as well and such Bids will not be treated as multiple bids. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Permanent Employees of our Company will be added back to the Net Issue to the Public.

15. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with SEBI until the equity shares offered through this Draft Red Herring Prospectus have been listed.
16. We presently do not have any intention or proposal to alter the capital structure for a period of six months from the date of opening of the Issue, by way of split / consolidation of the denomination of equity shares or further issue of equity shares (including issue of securities convertible into exchangeable, directly or indirectly for equity shares) whether preferential or otherwise.
17. At any given point of time, there shall be only one denomination for the equity shares of the Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
18. The Equity Shares will be issued and traded on the stock exchange only in dematerialized form. Hence the market lot of the equity shares is 1 (One share).
19. The Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash .
20. The Company has not availed of any bridge loans against the proceeds of this Issue
21. The ten largest shareholders as on 19th October, 2006 (being the date of filing of Draft Red Herring Prospectus with the SEBI) are as follows:

Sr. No.	Name of the Shareholders	Number of equity shares of face value of Rs 10/- each	Percentage of Pre-Issue Share Capital (%)	Percentage of Post-Issue Share Capital (%)
1	Mr. M. Raajhendran	1668156	15.58	11.30
2	M. Rajarathinam	1668156	15.58	11.30
3	M.Raveendran	1668156	15.58	11.30
4	M.Reghunathan	1668156	15.58	11.30
5	Amudha Raajhendran	1008006	9.42	6.83
6	Vijayalakshmi Raveendran	1008000	9.42	6.82
7	Aruna Rajarathinam	1008000	9.42	6.82
8	Usharani Reghunathan	1008000	9.42	6.83
9	Vishalakshy Raajhendran	6	-	-
10	Maniselvi Rajarathinam	6	-	-
	Total	10704642	100.00	72.50

22. The ten largest shareholders as on 19th October 2004 (being the date two years prior to date of filing of Darft Red Herring Prospectus with the SEBI) are as follows:

Sr.No.	Name of the Shareholders	Number of Equity shares of face value of Rs 10/ each	Percentage of Pre-Issue Share Capital (%)	Percentage of Post-Issue Share Capital (%)
1	Mr. M. Raajhendran	278026	15.58	2.14
2	M. Rajarathinam	278026	15.58	2.14
3	M.Raveendran	278026	15.58	2.14
4	M.Reghunathan	278026	15.58	2.14
5	Amudha Raajhendran	168001	9.42	1.29
6	Vijayalakshmi Raveendran	168000	9.42	1.29
7	Aruna Rajarathinam	168000	9.42	1.29
8	Usharani Reghunathan	168000	9.42	1.29
9	Vishalakshy Raajhendran	1	-	-
10	Maniselvi Rajarathinam	1	-	-
	Total	1784107	100.00	13.72

23. The ten largest shareholders as on 9th October 2006 (being the date 10 days prior to filing of Draft Red Herring Prospectus with the SEBI) are as follows:

S. No.	Name of the Shareholders	Number of Equity shares of face value of Rs 10/ each	Percentage of Pre-Issue Share Capital (%)	Percentage of Post-Issue Share Capital (%)
1	Mr. M. Raajhendran	1668156	15.58	11.30
2	M. Rajarathinam	1668156	15.58	11.30
3	M.Raveendran	1668156	15.58	11.30
4	M.Reghunathan	1668156	15.58	11.30
5	Amudha Raajhendran	1008006	9.42	6.83
6	Vijayalakshmi Raveendran	1008000	9.42	6.82
7	Aruna Rajarathinam	1008000	9.42	6.82
8	Usharani Reghunathan	1008000	9.42	6.83
9	Vishalakshy Raajhendran	6	-	-
10	Maniselvi Rajarathinam	6	-	-
	Total	10704642	100.00	72.50

24. The shareholding pattern of the Promoter/Promoter Group is as detailed below

Particulars	Pre issue		Post issue	
	No of Shares @ Rs 10 each	% of holding	No of Shares @ Rs 10/each	% of holding
Promoters				
Mr. M. Raajhendhran	1668156	15.58	1465952	11.30
M. Rajarathinam	1668156	15.58	1465952	11.30
M.Raveendran	1668156	15.58	1465952	11.30
M.Reghunathan	1668156	15.58	1465952	11.30
Sub Total	6672624	62.32	5863808	45.20
Promoters Group				
Amudha Raajhendran	1008006	9.42	885821	6.83
Vijayalakshmi Raveendran	1008000	9.42	885817	6.82
Aruna Rajarathinam	1008000	9.42	885817	6.82
Usharani Reghunathan	1008000	9.42	885817	6.83
Vishalakshy Raajhendhran	6	*	6	*
Maniselvi Rajarathinam	6	*	6	*
Sub Total	4032018	37.68	3543284	27.30
Grand Total	10704642	100.00	9407092	72.50

* Insignificant

25. The pre and post offer shareholding pattern of the Company is given below: -

Particulars	Pre-Issue		Post-Issue	
	Number of Shares @ Rs 10 each	% of holding	Number of shares @ Rs 10/each	% of holding
Promoters and Promoters Group	10704642	100.00	9407092	72.50
NRIs /OCBs /FIIs	Nil	Nil	Nil	Nil
Employee	Nil	Nil	[•]	[•]
Indian Mutual Funds, Financial Institutions and Other QIBS	Nil	Nil	[•]	[•]
Other Pubic Category	Nil	Nil	[•]	[•]
Total	10704642	100.00	12975342	100.00

26. There are no transactions of purchase and sale of Equity shares of the company by Promoter and Promoter Group during the period of six months preceding the date of this Draft Red Herring Prospectus filed with SEBI.

VI. OBJECTS OF THE ISSUE

The objects of the Issue are as under:

1. Strengthen facilities, enhancing content and content acquisition
2. Launching a new Television Channel.
3. Broadcast of existing Channels in the International Market.
4. To produce Short-films/ Tele-films.
5. Acquisition and Export of films in international market.
6. To construct new studio premises.
7. To finance general corporate purposes.
8. To meet the issue expenses

We also intend to list our equity shares on the Stock Exchange (BSE and NSE) to provide liquidity to our shareholders/investors.

Cost of the Project:

Particulars	Rs. In Lakhs
Strengthen facilities, enhancement of content base and content acquisition	907
Launch of New Television Channel	1068
Overseas Broadcasting of our Channels	375
Production of Short-films/ Tele-films	625
New Studio	715
Acquisition and Export of films broadcasting rights	500
General Corporate Purposes	[.]
Issue Expenses	[.]
Total	[.]

The details of the above mentioned expenses are given below:

1) Strengthen Facilities and Content Acquisition

Over the years, we have developed content to cater to the mass Tamil speaking audience. To consolidate its position as a mass channel and to increase its market share in terms of increased TRP. We plan to leverage our core strength by restructuring our content base, keeping in mind the present need of the market in offering family entertainment. We further plan to produce new shows aimed at building more interactivity and participation with the viewers through innovative concepts & reality programming designed for the teens and young adults.

A) We propose to deploy Rs. 457 Lakhs for purchasing new equipment required for production of content. Systems such as a digital asset management system and a play out server are proposed to be purchased by us as a part our technological upgradation process.

A Digital Asset Management system is a combination of storage servers and a middleware through which users will be able to store, index and retrieve the content depending on the requirements. A Digital Playout Server is hardware through which the stored contents are sequenced as a playlist and played out. The above equipment comprises of the following hardware and software:

Sl. No.	Equipment	Supplier	Quotation	Date	Qty	Rate in (Foreign Currency) USD– Rate of Conversion	Total Amount (In Foreign Currency)
1	MediaDirector 2101	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	35750	35750
2	Extended File System License for the MCP2101	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	8000	8000
3	Spectrum Manager w/LCD Display & Keyboard	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	8000	8000
4	DV/MPEG plus Media Port, Embedded	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	4	8250	33000
5	Media Port Rack Mounting Tray	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	210	420
6	SBOD MediaStore w/8, 73 Gbyte drives ((6+1) RAID set + 1 Hot spare)	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	15300	15300
7	Fibre Channel Cable Kit, LC to LC optical Fibre Cable, 3m w/2 LC SFP's	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	3	360	1080
8	Omneon Media Controller w/ LCD Panel	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	14900	14900
9	Omneon Media Grid ContentServers, 500GB Drives	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	10	37000	370000
10	Omneon Media Grid ContentDirectors	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	3	23400	70200
11	Omneon Media Grid SystemManager	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	8000	8000
12	Omneon Media Grid ContentManager	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	2000	2000
13	Omneon Media Grid ContentBridge (Gateway)	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	5200	5200
14	Network Switch, 1GigE	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	16100	32200
15	CX4 Cables	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	4	450	1800
16	DIVArchive Standard Software Disk Nearline Capacity(Terabytes)	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	39847	39847
17	Windows Actor	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	8674	8674
18	DIV Archive Manager Failover	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	6941	6941

19	Equipment Support and Maintenance contract	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	37152	37152
20	IBM Server for Video Archive PowerEdge 2950, 3.00 GHz 667 MHz, FSB, Integrated Dual Channel Ultra 320 SCSI Controller, RAID 1, Integrated, 2GB DDR-2 RAM, 4 x 73 GB 10K RPM Hard Drive, Microsoft Windows 2003 Server & Redundant Power Supply	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	5000	11000

Total (US\$) 709464

Conversion to INR (Rate) 46.5

32990076

Add : Freight and Insurance 989702.28

Customs Duty 11723023.5

Total in INR 45702801.8

- B)** We intend improve our content production quality by deploying 300 Lakhs from the proceed of the issue for infrastructure facilities like sets, reputed anchors for our shows, graphic designing, animations. This could also involve facilities for interactive viewing experience and reality programming which would include technologies for game shows, concept driven productions and hiring technicians, skilled script writers and production coordinators and managers to produce such shows and programmes.
- C)** We also propose to acquire new content from reputed producers and production houses to broad base the range and quality of our programmes aired on our channels. The content may range from film rights, film music rights, serial rights, game shows rights and such other rights. These rights would also include complete productions and pre-production of the content. We shall be deploying Rs. 150 Lakhs from the proceeds of the Issue towards this object.

The above will improve our infrastructural facilities to a large extent and enable us to provide better programming content.

A brief break-up of the above expenditure has been given below:

Particulars	Rs. In lakhs
Purchase/Upgradation of Equipments	457
Expenditure for increase in quality of Content Production	300
Acquisition of content from reputed producers	150
Total	907

2) Launch of New Television Channel

We currently operate two Tamil channels viz. “Raj TV” and “Raj Digital Plus” broadcast in entire India, Gulf and the Far East. We are offering 24 hour entertainment through these channels. We propose to increase our bouquet by launching a new entertainment channel having an international appeal. This channel shall be a multi-content channel and shall focus on youth entertainment thereby addressing this niche genre. This channel shall target this niche segment of the viewer population and enable our Company to broaden our offering.

The estimated cost for the setting up this new channel is as under:

Particulars	Rs. in Lakhs
Transponder and Uplinking	60
Equipment	108
New Content to be Acquired	200
Distribution	200
Fibre Connectivity	300
Publicity	200
Total	1068

A) Transponder and Uplinking:

The transponder and Uplinking charges include the charges for satellite hiring and uplinking from existing or any other service providers. We estimate that the cost of the same will be Rs. 60 lakhs.

B) Equipment:

We plan to invest in equipment such as sound mixers, lights, cameras and additional studio equipment both for indoor and outdoor shooting and production capabilities. We have obtained quotations from supplier which is represented below:

Sr. No	Equipment	Supplier	Quotation	Date	Qty	Rate in INR (per item)	Total Amount in INR
1.	Panasonic p2 DVCPRO HD Memory Card Camera - Recorder	Visual Technologies India Private Limited	VTI/CHN/921	16/06/06	5	346000	1730000
2.	Battery Pack 5.4 Ah	Visual Technologies India Private Limited	VTI/CHN/921	16/06/06	5	9000	45000
3.	XLR Microphones	Visual Technologies India Private Limited	VTI/CHN/921	16/06/06	5	8500	42500
4.	LIBEC TRIPOD	Visual Technologies India Private Limited	VTI/CHN/921	16/06/06	5	20000	100000

5.	8GB Memory Card	Visual Technologies India Private Limited	VTI/CHN/921	16/06/06	5	105000	525000
6.	Portable Hard Disk Unit (P2 Store)	Visual Technologies India Private Limited	VTI/CHN/921	16/06/06	5	120000	600000
7.	Edit Suite, Velocity Q 4X4 (Version) with IBM Intellistation and Storage	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	900000	1800000
8.	Graphic Suit	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	500000	1000000
9.	Audio Edit Suit (Sonic/ pro tools)	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	500000	1000000
10.	Audio Mixers – 24 hour Production mixer	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	500000	1000000
11.	Porta ENG Lighting Kit -plk2	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	20000	40000
12.	650W halogen fresnel spot light CI-504HG	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	9000	18000
13.	1KW halogen fresnel spot light CI-1006HG.	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	4	10000	40000
14.	2KW halogen fresnel spot light CI-2010HG	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	20000	40000
15.	3-section heavyduty floor stand STD-5	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	2	5000	10000
16.	Adaptors for mounting	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	12	500	6000
17.	Filters – Black Alluminium wrap roll	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	6000	30000
18.	Filters – White Diffuser Rolls	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	6000	30000
19.	Filter – Full blue (CT blue) roll	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	6000	30000
20.	Lamps – 650W 240V	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	2000	10000
21.	Lamps – 1000W 240V	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	1500	7500
22.	Lamps – 2000W 240V	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	2000	10000
23.	Microphones - SHURE Shotgun	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	50000	250000

24.	Microphones - SHURE Lavalier	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	13000	65000
25.	Microphones – SLX Series	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	50000	250000
26.	Microphones – SHURE Handheld	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	5	9000	45000
27.	Video Monitors – 29” Flat Screen Tv	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	4	50000	200000
28.	Racks	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	60000	60000
29.	Cable, connectors , terminal panels for edit suits	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	150000	150000
30.	Wall Boxes	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	15000	15000
31.	Control Desk	Shaff Broadcasting	SHAFN/QT2/007	14/07/06	1	500000	500000
				Total in INR			9649000
				Add: Taxes			1206125
				Total			10855125

- C) New Content: This being an entertainment channel targeting the youth audience shall require programming on the lines of interests and likes of the youth. This would include music rights, game shows, dance programmes , interactive programmes and such other programmes. This would include the cost of producing inhouse shows. The estimated cost for the same is Rs. 200 Lakhs
- D) Distribution: Our Company plans to distribute this channel through the existing cable network predominantly in the State of Tamil Nadu. For national coverage of the new channel, we intend to utilize other distributions platforms to market this channel. We may further explore the possibility of placing this channel on the DTH platform as a part of our existing bouquet of channels. The estimated cost of the same is Rs. 200 Lakhs.
- E) Fibre Connectivity: We shall also be investing in a new fibre cable connectivity setup, which will be used to carry the signal for the broadcast of the channel. It will also enable us to have live interactive broadcasting as well. The estimated cost of connectivity is Rs. 300 Lakhs.
- F) Publicity: We shall extensively publicise the launch of our channel so as to give the channel wide market visibility. The estimated cost of this envisaged publicity is around Rs. 200 Lakhs.

3) Overseas Broadcasting of Channels

For overseas distribution of our channels after evaluating various options available for the transmission of the program contents, we intend to adopt optical fiber network, which is a fast and reliable medium of transmission of data.

We propose to enter into an agreement with a international broadcast service provider to offer our channel in various countries, who will downlink the program contents from the satellite i.e. THAICOM

3, backhaul such content to their facility via fiber and then uplink the same signal to a satellite having a foot print in the American geographic region and other parts of the world.

Simultaneously, we propose to develop our own strategy for overseas marketing of our channels, by offering a composite pack of our channels on attractive conditions which will enable us access the international market. We shall add local flavour to our content to appeal to the local mass in these regions. The expenses for the overseas distribution are as below:

Particulars	Amount (Rs. In lacs)
Connectivity Expenditure	165
Marketing	210
Total	375

4) Tele / short Film Production

We propose to engage in the production of special 90 minute movies/films made by renowned directors casting artist with quality production. These films shall be released in theatres, on video, VCD, DVD and audio CDs formats, telecasting on its our own channels, web casting over the internet and exporting the same to international markets having sizeable Tamil population.

We propose to exploit this area of entertainment industry to generate a new line of business and increase earnings. We have reserved Rs. 625 lakhs for production of short films/movies for our Cost of Project.

5) Construction of Studio Premises:

We presently have our own production studio at the Registered Office, which we use for production of Talk Shows, Game Shows and other shows.

We propose to expand our current production facility by building a new studio in an adjoining plot owned by our Company. Currently, we propose to have a constructed area of approximately 27466 sq ft. The new premise shall have a basement, ground floor and a first floor. It shall be an AC studio with proper fire fighting equipment and a building management system. The costs shall include the work of civil structures, flooring, painting, joineries, along with electrical work, backup generator, plumbing, landscaping work, interior work etc. We have has obtained a certificate from M/S Arkie Atelier Designs Pvt. Ltd. – Architects, for the same, and the estimated cost is Rs. 715 Lakhs. The entire amount is intended to be funded from the proceeds of the issue.

6) Acquisition and Export of films

Over the years, the demand for Indian regional content has increased with the increase of Indians living abroad. We have been actively procuring rights for Tamil & Telugu films produced in India. We also propose to further acquire more new Tamil movies from well-known and reputed producers.

We have been working closely with major distribution companies for tie-ups which are being negotiated and are under consideration. We intend to directly export the movies overseas to satellite channels in different parts of the world like America, UK, Middle East, Japan, USA, Fiji, Russia and other Asian countries where there is a significant Tamil population.

We have set aside Rs. 500 Lakhs to fund our acquisition of movies rights, along with all incidental rights, to further enhance value to the network.

7) General Corporate Purposes:

We propose to utilize about Rs. [.] for general corporate purposes including acquisitions, brand building, distribution initiatives, working capital requirements etc., in accordance with the policies set up by our Board. We shall have prerogative to utilize the same in the aforesaid manner, in accordance with the policies and procedures prescribed by the Board.

As at the date of this Draft Red Herring Prospectus, we have not entered into any letter of intent or any other commitment or definitive agreements for any such investment in any distribution platform, strategic initiatives or acquisitions. However, the board is considering certain distribution tie ups with regard to international distribution. Our Board of Directors typically reviews various opportunities periodically.

8) Issue Expenses:

The Issue expenses include underwriting fees, fees payable to the BRLM, selling commission, legal advisors, Bankers to the Issue, Escrow Bankers, Registrars, printing and stationery expenses, advertising expenses and all other incidental and miscellaneous expenses for listing of the Equity Shares on the Stock Exchanges. The total estimated expenses are Rs. [*] Lakhs. All expenses with respect to the Issue will be borne by us. The details of the expenses are as given below:

Sr.No	Particulars	Rs. Lakhs
1	Book Running Lead Managers fees	[.]
2	Registrar to the Issue	[.]
3	Advisors to the Issue	[.]
4	Offer Stationery	[.]
5	Advertising Expenses	[.]
6	Brokerage and selling Commission	[.]
7	Legal Fees	[.]
8	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[.]
9	Contingencies	[.]
	Total	[.]

MEANS OF FINANCE

(Rs. in Lakhs)

Sr.No	Particulars	Funds requirements
1	Proceeds of Issue	[.]
2	Internal Accruals	[.]
	Total	[.]

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue related expenses, is estimated at Rs. [.] Lakhs. The Issue amount will be determined based on the Issue Price discovered through the book- building process.

The net proceeds of the Issue would be used to meet all or any of the uses of the funds described above. In case funds raised in the Issue are lower than our all budgeted requirements, company intends to use internal accruals to finance the shortfall. In case the amounts raised are higher then, the additional sums will be used for General Corporate Purposes.

APPRAISAL

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

SCHEDULE OF IMPLEMENTATION/ UTILISATION OF ISSUE PROCEEDS

Break-up of the utilization of issue proceeds and the year wise deployment is given below:

(Rs. in Lakhs)

Sr.No	Particulars	2006-07	2007-08				Total
		Q4	Q1	Q2	Q3	Q4	
1.	Strengthen Facilities and Content Acquisition	659	247	-	-	-	907
2.	Launch of New Television Channel	501	393	88	88	-	1068
3.	Overseas Broadcasting of Channels	141	141	47	47	-	375
4.	Production of Short-films/ Tele-films	-	125	125	125	25	625
5.	New Studio Complex	178	178	178	181		715
6.	Acquisition of and Exports of films	250	-	250	-	-	5
7.	General Corporate Purposes	[*]	[*]	[*]	[*]	[*]	[*]
8.	Issue Expenses	[*]	-	-	-	-	[*]
	Total	[*]	[*]	[*]	[*]	[*]	[*]

FUNDS DEPLOYED

As on date no funds have been deployed.

INTERIM USE OF ISSUE PROCEEDS

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time.

No part of the Issue proceeds will be paid by us as consideration to Promoters, Directors, key management personnel, subsidiaries, group companies, etc.

MONITORING OF FUNDS

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by the Board of Directors will monitor the utilization of the proceeds of the Issue.

VII. BASIC TERMS OF ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Draft Red Herring Prospectus, Bid-Cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice and other documents/ certificates that may be executed in respect of the issue. The Equity Shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchange, RBI, ROC and/ or other authorities as in force on the date of the issue and to the extent applicable.

VIII. BASIS FOR ISSUE PRICE:

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

Investors should read the following summary with the Risk Factors included from [•] to [•] and the details about the Company and its financial statements included in this Draft Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and the investor may lose all or part of his investment.

QUALITATIVE FACTORS

Mass Appeal.

RAJ TV Network, with its bouquet of existing channels, appeals to mass viewership due to its extensive line of attractive programming and content mix catering to the entertainment needs of the entire family. Our channels have a wide viewer penetration ranging from urban to rural areas of the region. Our content satisfies people of all ages and background. The network offers a right mix of films, serials, social debates, cultural, educational, cookery, handicrafts and religious programmes to address a variety of entertainment requirements of the viewers.

Enthralling Content

Over the years we have bought various kinds of rights such as satellite television rights, DVD/VCD/IPTV of around 1384 tamil films. These films comprise of old classics to recent blockbuster movies. We devote most of our resources in producing our own serials, film / non film based programmes and employ directors and other technicians including production houses to produced quality programmes for our channels. We have also produced several non-fiction & cultural programs which have wide viewership. We have through the years invested in tele-cine equipment and state of the art post production facilities to deliver quality content to our channels.

Strategic Business Model:

- Most of our serials and other programmes are produced by us. Therefore we also hold the proprietary rights for the most of the content produced by us.
- We also engage outside producers on contract basis to produce content. We then purchase content certain rights to these programmes from such producers and make them a part of our data base.
- We increase our revenues due to our model of producing our own content by way of cost control and higher margins in advertising revenues.

- Since we have control over the content produced by us, we are in a position to improve the quality and delivery of the produced content thereby attracting better ratings and viewership resulting into better advertisement revenues.
- Our business model leads to the development of our intellectual property asset base and helps garner revenues through sale/use of such content.
- Our IPR asset base shall provide the necessary backup for future expansions in India and abroad.

Regional Prominence

We have predominantly positioned ourselves as a regional player and a 'People's Channel', delivering the required regional flavour. We enjoy good brand value, primarily due to our focus on the Tamil speaking population. Over the years, we have focused on catering to the local tastes and preferences of the viewers in the region which has positioned us as one of the leading tamil satellite regional television network. We have concentrated on developing local language programming with wide ranging formats to suit viewers preference. We regularly change our programming formats to respond to changes in preferences and trends of the viewers.

Religious & Cultural Programming

In recent times demand from the viewers for religious and cultural content has been increasing both in the domestic market and international. We have over the years aggregated more than 1000 hours of such content and have a potential to aggregate 100 hours of content every year. Our network also broadcast classical concerts and spiritual tourism related programmes apart from discourses by spiritual gurus.

Experienced Management & Motivated Staff Team

Our Company is led by a knowledgeable team of senior management professional under the guidance of our experienced directors each one focusing on core business functions. Most of our employees including the technical and non-technical staff have been since inception and has one of the lowest attrition rates in the industry. We value our staff as a major asset and offer various schemes / incentives in-return to their loyalty.

QUANTITATIVE FACTORS

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

1. Basic and Diluted Earning Per Share (EPS)

Period	Rupees	Weight
Year ended March 31, 2004	3.43	1
Year ended March 31, 2005	2.78	2
Year ended March 31, 2006	3.33	3
Weighted Average	3.17	
Quarter ended 30.6.2006	2.69*	

* Not Annualised

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. [•]

Based on the EPS of Rs. 3.33 for the Financial Year ended 31st March, 2006, the Issue Price of Rs. [•], answers to a P/E multiple of [•].

Based on the Weighted Average EPS of Rs. 3.17 for the last three financial years, the Issue Price of Rs. [•], answers to a P/E multiple of [•].

Based on the EPS of Rs. 2.69 for the quarter ended 30th June, 2006, the Issue Price of Rs. [•], answers to a P/E multiple of [•].

3. Return on Net worth (RONW)

Period	%	Weight
Year ended March 31, 2004	13.15	1
Year ended March 31, 2005	9.65	2
Year ended March 31, 2006	10.34	3
Weighted Average	10.58	
Quarter Ended 30.6.2006	7.71	

4. Minimum Return on Increased Net Worth to maintain pre-issue EPS of Rs. [•] is [•]

5. Net Asset Value (NAV) per share

- NAV as on March 31, 2006 is Rs.192.99
- NAV as on June 30, 2006 is Rs.209.12
- Issue Price at lower price band Rs. [•]
- NAV after the Issue at lower price band Rs. [•] is [•]
- Issue Price at higher price band Rs. [•]
- NAV after the Issue at higher price band Rs. [•] is [•]

6. Industry P/E

Highest – Zee Telefilms Limited	225.00
Lowest - Hazoor Media & Power	4.40
Industry Composite	56.70
Source: Capital Market – Vol.XXI /16 Oct 9– Oct 22 2006 ; Segment –Entertainment	

7. Comparison with the Peer group companies.

(Rs. in Crores)

Name of the Company	Equity	Sales	PAT	EPS (Rs.)	BV (Rs.)	P/E
Sun TV Ltd.	68.89	321.90	128.80	14.60	132.50	61.80
ZEE Telefilms Ltd.	42.29	834.00	72.60	1.70	56.80	225.00
Sahara One Media	21.53	204.50	0.70	2.40	125.80	165.10
ETC Networks	14.96	44.10	7.10	4.60	45.40	9.90
Shree Adhikari	9.28	37.70	5.3	1.10	22.10	12.30
Source: Capital Market – Vol.XXI /16 Oct 9– Oct 22 2006 ; Segment –Entertainment						

8. The Face Value of the Equity Shares is Rs.10/- per Equity Share and the Issue Price is [•] times of the Face Value at the lower price band and [•] times at the higher price band.

The BRLM believes that the Issue Price in the price band of minimum of Rs. [•] and maximum of Rs. [•] is justified in view of the above qualitative and quantitative parameters. The investors may want to peruse the risk factors and the financials of the Company including important profitability and return ratios, listed out in the Auditors' Report in Financial Information of the Draft Red Herring Prospectus to have a more informed view of the investment proposition.

IX. TAX BENEFITS

STATEMENT OF TAX BENEFITS

Auditor's Report

Statement of Possible Income-tax Benefits available to M/s. Raj Television Network Limited and its Shareholders

We hereby report that the enclosed annexure states the possible income-tax benefits available to the RAJ TELEVISION NETWORK LIMITED (the "Company") and its shareholders under the current direct tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

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

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current direct tax laws presently in force in India.

**For PRATAPKARAN PAUL & CO.,
CHARTERED ACCOUNTANTS**

**PRATAPKARAN PAUL
PARTNER**

Membership No.: 23810
Chennai
September 14, 2006

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions as may be prescribed under the relevant sections of the Income-tax Act, 1961 ('the Act').

The following are the benefits that may be available to the Company and the prospective shareholders under the Act.

1. Benefits applicable to the Company / prospective shareholders

1.1 Dividends exempt under section 10(34) of the Act

Dividends (whether interim or final) declared, distributed or paid by a domestic company are exempt in the hands of the Company/prospective shareholders, in its capacity as a registered shareholder, as per the provisions of Section 10(34) of the Act, if the same is subject to dividend distribution tax under section 115O of the Act. However, section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased upto three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

1.2 Exemption of long term capital gains

- As per the provisions of Section 10(38) of the Act, long term capital gain arising from transfer of an equity share in a company or unit of an equity oriented fund is exempt from income-tax if the transaction for sale is chargeable to securities transaction tax, but in the case of a company the long term capital gain shall be taken into account in computing the book profit u/s.115JB and for payment of income-tax under the said section, as per Finance (No.2) Act, 2006.

- Additionally, in terms of section 88E of the Act, the securities transaction tax paid in respect of taxable securities transaction entered into in the course of business would be eligible for a rebate from the amount of income-tax on the income chargeable under the head "Profits and gains of business and profession" arising from taxable securities transaction. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, for the amounts paid on account of securities transaction tax.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising from transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in "long term specified assets" within six months from the date of transfer. Further, in the case of individuals, it may be noted that no deduction shall be available under section 80C, in respect of the amounts that are taken into consideration for the purpose of section 54EC of the Act, as per section 54EC(3) of the Act.

"Long term specified assets" is defined to mean any bond redeemable after three years, issued by –

- (a) National Highways Authority of India and
- (b) Rural Electrification Corporation Limited.

- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term capital assets, being listed securities or units of a mutual fund specified under section 10(23D) of the Act or of the UTI, shall not be chargeable to tax to the extent such

gains are invested in acquiring equity shares forming part of an “eligible issue of capital” within six months from the date of transfer of the said long term capital assets.

“**Eligible issue of capital**” has been defined as an issue of equity shares which satisfies the following conditions—

- The issue is made by a public company formed and registered in India; and
- The shares forming part of the issue are offered for subscription to the public.

Further, in the case of individuals, it may be noted that no deduction shall be available under section 80C, in respect of the amounts that are taken into consideration for the purpose of section 54ED of the Act.

In addition to the benefits mentioned above, the Company and its prospective shareholders would be entitled to the following specific benefits subject to satisfaction of the conditions prescribed under the relevant sections of the Act.

2. Specific benefits available to the Company

The following benefits are in addition to the benefits provided in Paragraph 1, above.

2.1 Taxation of capital gains (other than those discussed in Paragraph 1.3)

Nature of gain	Benefit available/Rate of taxation
Long term capital gain	As per the provisions of Section 112(1)(b) of the Act, long term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1) of the Act, in the case of all categories of assessee, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such excess shall be ignored.
Short term capital gain	Gains arising on transfer of a short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge and education cess). However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

2.2 Unabsorbed depreciation and business losses

Unabsorbed Depreciation

As per the provisions of section 32(2) of the Act, where effect cannot be given either in full or in part to the depreciation allowance u/s.32(1) in any previous year for want of profits and gains chargeable for that year, or owing to the profit and gains chargeable being insufficient to absorb the depreciation allowance,

then, subject to the provisions of Section 72(2) & 73(3), the unabsorbed depreciation allowance will be added to the current depreciation and if there is no current depreciation, it will be treated as current depreciation and set off in the current and subsequent previous years without any time limit, and the same can be set off against any income under any head of income.

Business Loss

As per the provisions of section 72 of the Act, unabsorbed business loss which is not set off in any previous year can be carried forward and set off against the business profits of the subsequent assessment year(s), subject to a maximum of eight succeeding assessment years. However, the carry forward and set off of business losses are subject to restrictions specified in section 79 and section 80.

2.3 Others

- Subject to compliance of certain conditions laid down in section 32 of the Act, the Company will be entitled to a deduction for depreciation:

- In respect of tangible assets at the rates prescribed under the Income tax Rules, 1962;

- In respect of new machinery or plant acquired and installed after 31.03.2005, additional depreciation @20% of the actual cost of such machinery or plant. In respect of new machinery or plant acquired and installed after 31.03.2002 but before 1.04.2005, additional depreciation @15% of the actual cost of such machinery or plant.

- In respect of intangible assets being in the nature of know-how, patents, copy-rights, trademarks, licenses, franchises or any other business or commercial right of similar nature acquired on or after April 1, 1998 at the rates prescribed under the Income tax Rules, 1962;

- Under section 35D of the Act, a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and the conditions stated under the said section.

- Under section 115JAA(1A) of the Act, credit shall be allowed for any tax paid under section 115JB of the Act (MAT) for any assessment year commencing on or after April 1, 2006 against the tax payable under the provisions of the Act other than section 115JB. Such set off is however restricted to the difference between tax on income computed in accordance with the provisions of the Act other than section 115JB and the tax payable under section 115JB. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the provisions of the Act excluding section 115JB. Such MAT credit shall not be available for set-off beyond five years succeeding the year in which the MAT credit initially arose.

3. Benefits available to resident individual shareholders

The following benefits are in addition to the benefits stated in Paragraph 1 above.

3.1 Income of a minor exempt up to a certain limit

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

3.2 Taxation of capital gains (other than those discussed in Paragraph 1.2) Rate of taxation/Benefit available

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to income tax to the extent the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed.

3.2.1 Long term capital gain

- As per the provisions of Section 112(1)(b) of the Act, long term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).
- However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge and education cess).

3.2.2 Short term capital gain

- Gains arising from the transfer of short term capital assets are currently chargeable to tax at 30 percent (plus applicable surcharge and education cess).
- However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004

4. Benefits available to Non-Resident Indian (as defined in section 115C (e) of the Act) shareholders

The following benefits are in addition to the benefits stated in Paragraph 1.

4.1 Income of a minor exempt up to a certain limit

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs 1,500 per minor child.

4.2 Taxation of capital gains – Options available under the Act (other than those discussed in Paragraph 1.2)

4.2.1 Where shares have been subscribed in convertible foreign exchange

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

- As per the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.

- As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising from the transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within a period of six months from the date of transfer in any specified asset⁷ or savings certificates. If only part of such net consideration is so invested, then such gains would not be chargeable to tax on a proportionate basis.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVIIB of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from certain specified assets (as prescribed in section 115H) for that year and subsequent assessment years until such assets are transferred or converted into money.
- As per the provisions of 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 his return of income for that assessment 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.

4.2.2 Where the shares have been subscribed in Indian Rupees

Nature of gain Rate of taxation/Benefit available

Long term capital gain

- As per the provisions of Section 112(1) (c) of the Act, long term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).
- However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge and education cess). As per the provisions of Section 112(1)(b) of the Act, long term capital gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).
- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to income tax to the extent the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed.

Short term capital gain

- Gains arising from the transfer of short term capital assets are currently chargeable to tax at 30 percent (plus applicable surcharge and education cess).
- However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable

surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004

4.3 Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident Indian.

5. Benefits available to Foreign Institutional Investors (“FIIs”)

5.1 Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

5.2 Provisions of Section 115AD of the IT Act, provides for taxing income of FIIs arising from securities (other than income by way of dividends referred to in section 115(O) of the IT Act) at concessional rates, as follows:

Nature of income	Rate of tax (%)
Income in respect of securities (other than units referred to in Section 115AB)	20
Long Term capital gains	10
Short term capital gains (other than short term capital gain referred to in section 111A)	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided under Section 48 of the IT act are not available to a FII.

5.3 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.

5.4 Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act, as per section 90(2) of the IT Act, to the extent they are more beneficial to the FII.

5.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered on a recognized stock exchange of India and is liable to securities transaction tax.

5.6.1 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act from being taxed to the extent specified therein, subject to the conditions as referred to in the section and to the extent such capital gains are invested within 6 months from the date of such transfer in the bonds (long term specified assets) issued by a National Highway authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;

5.6.2 Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956; If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion into money takes place.

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

5.8 The following benefits are in addition to the benefits stated in Paragraph 1 above.

5.8.1 Taxability of capital gains (other than those discussed in Paragraph 1.3 above)

- As per the provisions of section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rates:

Nature of income Rate of tax

- Long term capital gains 10 percent
- Short term capital gains 30 percent / 10 percent

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation adjustment as provided by section 48 of the Act are not available to FIIs.

In accordance with the provisions of section 196D(2), no deduction of tax shall be made from any income, by way of capital gains arising on transfer of securities referred to section 115AD payable to a FII.

5.8.2 Provisions of the Act vis-à-vis provisions of the treaty

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident. Reduced rate of 10 percent if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

6. 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, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax, subject to such conditions as may be prescribed in this behalf. In addition, in accordance with the provisions of section 10(35) of the Act any income by way of income received in respect of units of a Mutual Fund specified under section 10(23D) is exempt from tax in the hands of the recipient.

7. 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 the 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, are exempt from income-tax. However, the income distributed by the Venture Capital Companies / Funds to its investors would be taxable in the hands of the recipients.

8. Benefits available under the Wealth Tax Act, 1957

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

9. Benefits Available Under The Gift Tax Act

Gift tax is not leviable in respect of any gifts made on or after 1st October, 1998. Therefore, any gift of shares of the Company will not attract Gift tax.

INDUSTRY OVERVIEW

GLOBAL ENTERTAINMENT INDUSTRY

Key international trends

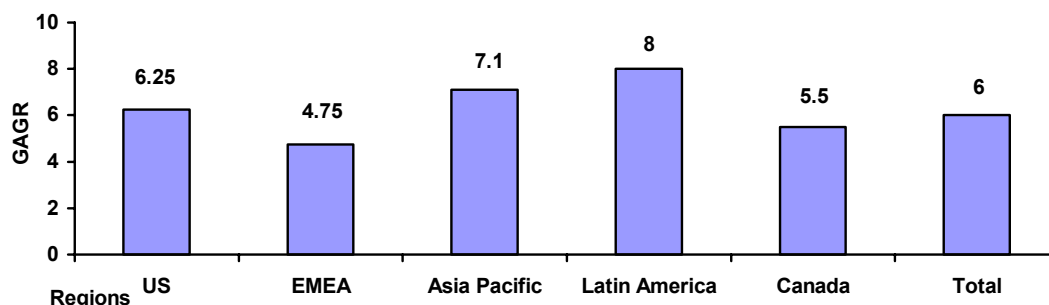
(a) Television networks: Broadcast and Cables

The global television network market is estimated to be \$204 billion in 2009, growing at a compound annual rate of 6 percent from 2004. Latin America is projected to be the fastest-growing market, with a compound annual increase of 8 percent. Asia Pacific is expected to expand at a 7.1 percent compound annual rate followed by 6.4 percent growth in the United States, 5.4 percent in Canada, and 4.8 percent in Europe, Middle East and Africa (EMEA).

Principal drivers

Multi-channel advertising (referred to as advertising on networks that are accessed by viewers via cable (analog or digital), satellite, digital terrestrial television (DTT), or other means, but that are not available in isolation from these services; in contrast with terrestrial advertising where it is referred to as advertising generated by free-to-air broadcast networks, even if viewers may receive such networks through a cable, satellite service, or DTT service} is projected to be the fastest-growing sector in each region, buoyed by rapid growth in digital households. A generally favourable economic outlook, particularly in Asia Pacific and Latin America, is expected to sustain growth in terrestrial advertising in each region, but terrestrial will lose share to multi-channel. High-definition television in the United States and EMEA and digital television throughout the world is projected to expand during the forecast period, improving delivery quality and interactivity and making television a more attractive medium for advertisers.

Trend Analysis of the Outlook for Broadcast and Cable Networks



(b) TV distribution: Station cable, and satellite

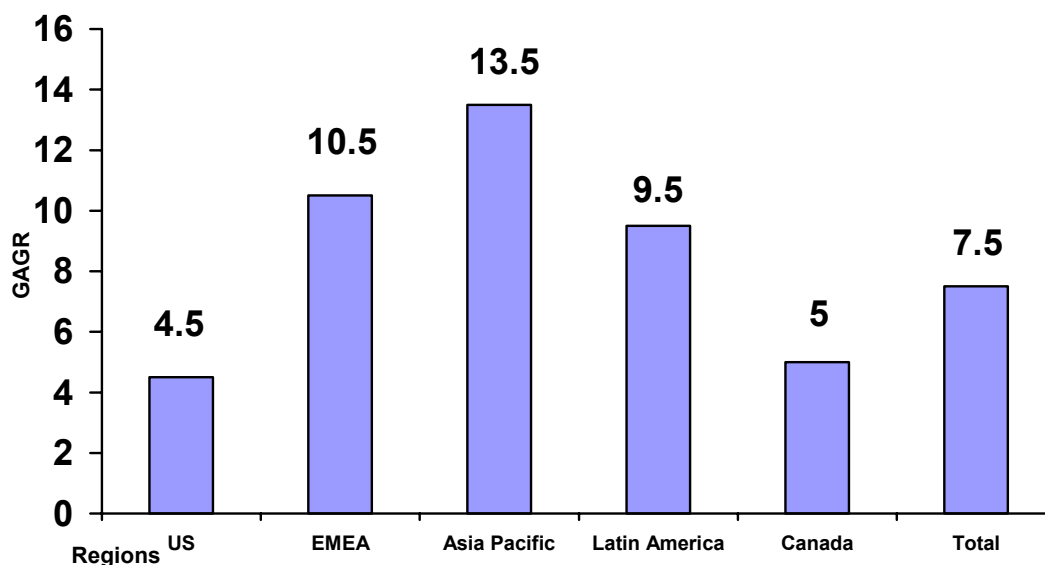
The global television distribution market, on the other hand, is expected to increase from \$146 billion in 2004 to \$210 billion in 2009, a compound annual growth rate of 7.4 percent during the five-year forecast period. Asia Pacific and EMEA are the fastest-growing regions, at 13.3 percent and 10.5 percent, respectively, followed by Latin America at 9.8 percent. Canada is expected to grow at a projected 5 percent rate, and the United States by 4.7 percent compounded annually.

Principal drivers

Subscription TV household growth is driving spending in Asia/Pacific, Latin America and EMEA, but saturated markets are dampening growth in the United States and Canada. The migration of subscribers to higher-priced digital services with more channels is boosting spending in the United States, EMEA, and Canada. Increased cable infrastructure investment, a more stable economic environment, and

consolidation in the satellite market is stimulating spending in Latin America; free digital terrestrial television is cutting into the growth of subscription services in EMEA; and new satellite launches is driving the subscription base in Asia/Pacific. Video-on-demand is taking off in the United States, EMEA and Canada, and digital platforms are also supporting pay-per-view in those regions. Piracy of cable signals is a major problem in Asia/ Pacific and Latin America, though conversion to digital should reduce this crime. In Canada, illegal satellite users continue to hurt the legitimate direct-to-home (DTH) market. In the United States, new local ratings systems and hard interconnects—hard-wired connections between the central interconnect and individual cable head-ends within a TV market—will bolster advertising on cable systems.

Trend Analysis of the Outlook for TV Distribution



In the coming years, the last-mile of television distribution will see a lot of action with the entry of new DTH and IPTV players. Digitalization too is likely to happen over the next couple of years. As a result, subscription revenues are bound to increase and are likely to drive growth in the television segment. With improvement in quality of transmission and content, coupled with economic growth, television penetration is bound to increase by leaps and bounds thereby fuelling the growth of television advertising and content software also. (Source: FICCI – PWC Report: *The Indian Entertainment and Media Industry – Unravelling the Potential*)

INDIAN ENTERTAINMENT AND MEDIA INDUSTRY

The Indian entertainment and media (E&M) industry has outperformed the Indian Economy and is one of the fastest growing sectors in India. The E & M industry generally tends to grow faster when the economy is expanding. Consumer spending is on the rise, due to a sustained increase in disposable incomes, brought about by reduction in personal income tax over the last decade. All these factors have given an impetus to the E & M industry and are likely to contribute to the growth of this industry in the future. Besides these economic and personal income-linked factors, there are a host of other factors that are contributing to this high growth rate. Some these are enumerated below:

Low Media penetration in lower socio-economic classes (SEC)

Media penetration varies across socio-economic classes. Though media penetration is poor in lower socio-economic classes, the absolute numbers are much higher for these classes. Hence, efforts to increase the penetration even slightly in these lower socio-economic classes are likely to deliver much higher results, simply due to the higher base. (Source)

SEC	Print Media		TV		Satellite TV		Radio		Films	
Urban India	Reach in Mn	Reach in %age	Reach in Mn	Reach in %age	Reach in Mn	Reach in %age	Reach in Mn	Reach in %age	Reach in Mn	Reach in %age
A1	7.57	95.2%	7.64	96.1%	6.68	84.0%	2.90	36.5%	2.43	30.6%
A2	13.90	90.5%	14.51	94.5%	11.90	77.5%	4.58	29.8%	3.85	25.1%
B1, B2	31.97	81.1%	35.71	90.6%	26.57	67.4%	9.73	24.7%	7.53	19.1%
C	33.78	69.5%	41.69	85.8%	28.86	59.4%	11.22	23.1%	8.79	18.1%
D	29.28	52.6%	43.15	77.5%	27.23	48.9%	11.41	20.5%	9.52	17.1%
E1, E2	20.99	30.1%	45.32	65%	26.35	37.8%	11.02	15.8%	10.95	15.7%

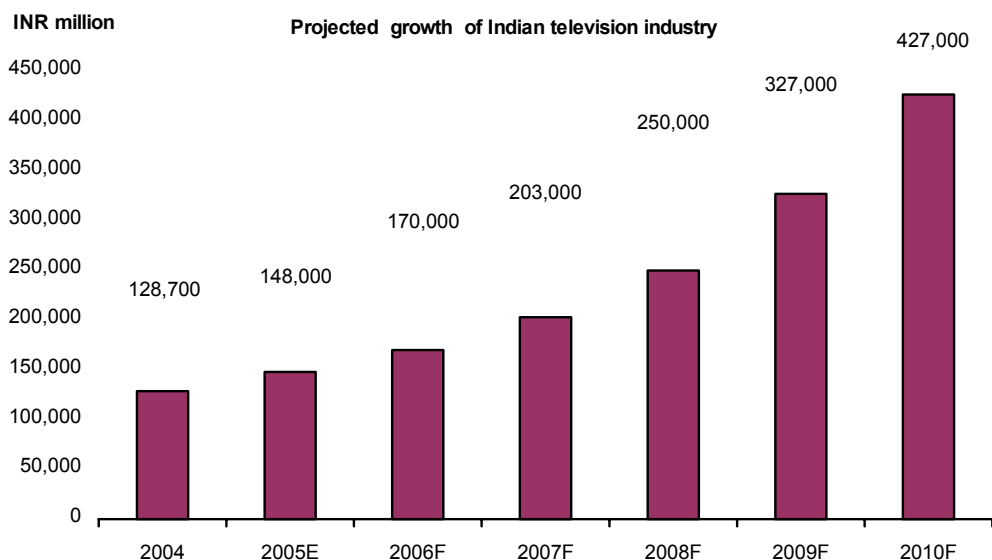
Liberalizing foreign investment regime

Gradually, Indian has adopted a conducive FDI policy which is becoming a boon for foreign Investors who are eyeing the progress in the Indian Market. The E & M industry has significantly benefited from this liberal regime and most segments of the E & M industry today allow foreign investment. Recently FDI was permitted in the two important sectors print media and radio. Films, television and other segments are already open to foreign investment.

In the print media segment, 100 percent FDI is now allowed for non-news publications and 26 percent FDI is allowed for news publications. Printing of facsimile editions of foreign journals are now also allowed in India. This policy is helping foreign journals save on the cost of distribution while servicing the Indian market audiences more effectively.

The Indian Television Industry:

The Indian television market is on the threshold of a major technological change. New distribution technologies – such as digital cable, DTH and IPTV – are planning to hit the market soon and broadcasters and cable operators are voluntarily opting for addressable cable systems. In fact, all spheres of the industry - content, broadcasting, distribution and regulation - are witnessing technological changes. The telecom Regulatory Authority of India (TRAI), which was appointed as the regulator for the industry in 2004, has already begun putting major policy framework in place. In 2005, the government also announced the Down linking Policy with the objective of laying down guidelines to regulate channels beamed into India from outside India. On the content side, the trend of interactive and niche programming gained further impetus.



Indian Broadcasting Industry

The Indian Broadcasting industry has seen a lot of change due to inherent technological advancements. However, the main branches of broadcasting are the same which can be segmented as under:

- **Terrestrial broadcasting**

Terrestrial broadcasting is carried out through transmitters and is received by households through antennas. Prasar Bharati (Broadcasting Corporation of India) is the only terrestrial broadcaster in India and is owned by the Government of India. It operates several channels under the umbrella brand “Doordarshan”. As the terrestrial broadcaster, Doordarshan can potentially be accessed by all television households. In addition to its national channels in Hindi and English, Doordarshan broadcasts several regional language channels that are broadcast in particular regions of the country.

- **Cable and satellite broadcasting**

Cable and Satellite (C&S) is broadcast by the uplink of the channel to a satellite, which then provides the downlink signal to a wide region. The downlink signal is received by ground-based cable distributors through dish antennas, amplifiers and decoders. The distribution of cable and satellite channels to households is then carried out by cable, and has been characterized by complexity and fragmentation. There are a large number of operators in India, consisting of MSOs, as well as LCOs who provide the “last mile” connection. In most areas, there is only one provider of the last mile connection.

- **DTH:**

DTH broadcasting has put the power of choice in the hands of the consumer. The last mile distribution segment is expected to see a further boost with the entry of new DTH players, IP-TV, broadcasting services on DSL technologies etc. Over the last three years, the DTH satellite industry has come on strongly worldwide. It has grown from a niche delivery mechanism into a mainstream business. The spread of subscription-based DTH satellite TV promises to enhance choices for many households in developing countries.

DTH seems to be a buoyant medium which is currently offered in India by DishTV, which is a part of the Zee TV Group, Tata Sky and DD Direct Plus, which is a part of Doordarshan. There are several new players coming in this market to exploit the benefits of this medium of broadcasting.

- **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 TV 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. In fact, the channel 'Times Now' was first launched through the mobile medium.

Main Revenue Streams for the Industry:

The main avenues of revenue in the television medium are attributed to the following main items:

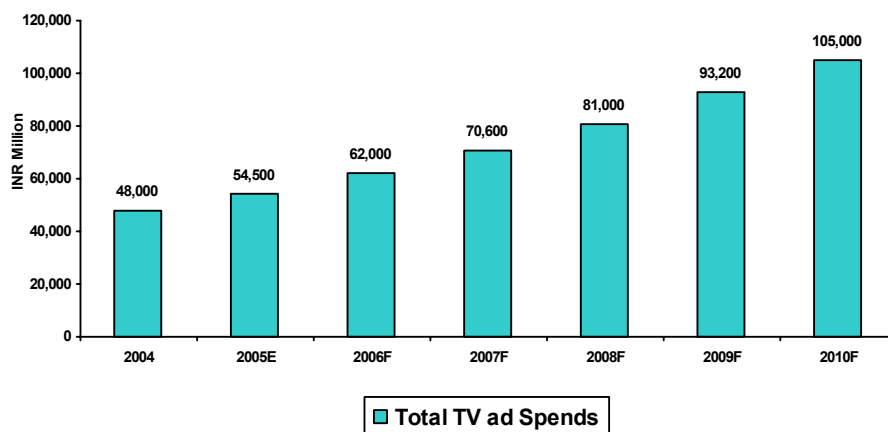
- ◆ Advertisement
- ◆ Subscription
- ◆ Others

Advertisement Revenues:

Advertisement revenues form a substantial part of the revenues of broadcasters. Generally, broadcasters sell time which is congregated around regular programmes aired by the broadcaster. As per industry estimates, the total advertisement spend in India in 2004 was approximately INR 118 Billion. Though this is only 0.5% of the GDP, it is set to change in future. With the economically empowered middle class leading the FMCG and consumerism boom, global brands are expected to continue and increase their advertisement spend in India.

There has been a significant increase in the TV ad spends of several companies and it has been on a steady rise on a year-on-year basis. In 2004 the total TV ad spend was Rs. 48 Billion and it is expected that the TV ad spends shall increase steadily at a pace of at least 13.5 % increase on an annual basis. The following table shows the trend in TV ad spends over the years and the estimated increase expected in the coming years.

Growth in TV Advertising



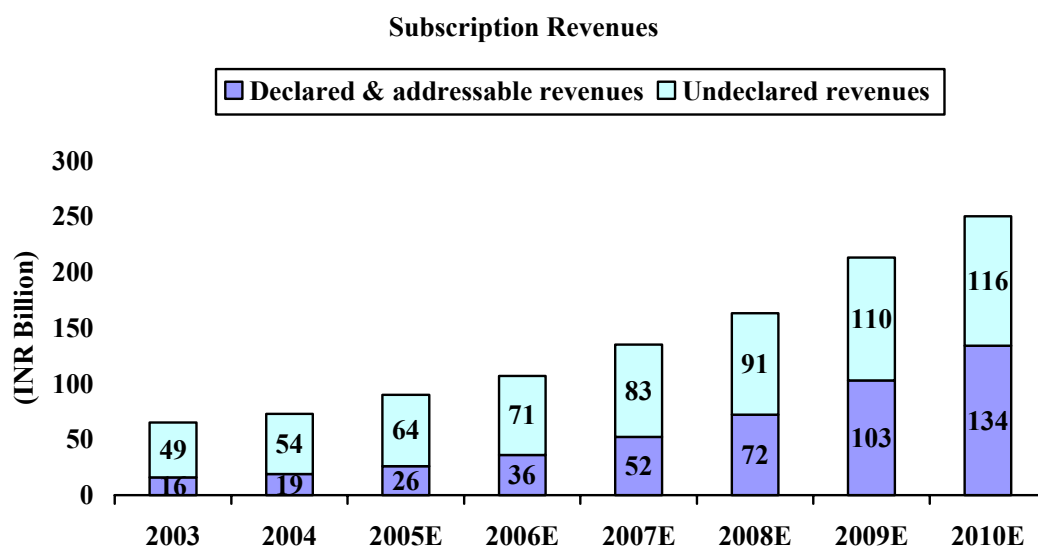
(Source: FICCI-PWC Report : The Entertainment and Media Industry – Unraveling the Potential)

Subscription Revenues:

Broadcasting of channels is done in two different routes namely, Free-to-air (FTA) and pay channel route. Pay channels are subscribed on a monthly basis through cable operators and distributed by them to the ultimate subscriber. The cable operators receive the subscription which is shared with the broadcaster based on the number of subscribers disclosed by the operators. Under the CAS system, which is currently in place in Chennai, the subscriber has the option of subscribing only to those channels which he wishes to watch and he shall pay for the same. This is along with an option to receive all FTA channels for a combined fee.

An inherent problem with this form of revenue lies in the non-disclosure of total subscribers from the cable operators. Such chronic under-declaration of the subscriber base by the LCOs has significantly constrained the growth in the subscription revenues for broadcasters.

Though the cable TV penetration in India continues to grow at a brisk pace, the untapped potential is still very significant. Over the next few years, cable and satellite, along with emerging delivery platforms like DTH and IP-TV are expected to close in on the gap further. It is Expected that television connectivity in India can reach 134 millions households by 2010, of which as many as 85 million, or 63.5% could be connected through cable and satellite, DTH, IP-TV or other non-terrestrial broadcast platforms. Hence, it is perceived that the subscription revenues will be on the upswing in the years to come.



(Source: CII KPMG Report – Indian Entertainment Industry Focus 2010: Dreams to Reality)

Another important factor is the fact that the subscription fees charged in India is one of the lowest in the world. However, with the advent of new technology, new participation and new regulatory changes, this hurdle is slowly getting cleared. It is expected that with the expansion of the total households and the relative increase in the affordability of cable television, the total subscription revenues of the industry are expected to increase significantly in the near future.

(INR Billion)

Distribution of Revenues	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	Growth
Pay TV Revenues to broadcasters	12	13	16	19	29	42	62	82	37%
Distributors' retention	1	3	5	11	16	23	32	41	55%
Last Mile Operators	52	58	69	77	90	99	120	126	14%
Total Subscription Revenues	65	73	90	107	136	163	213	250	23%

(Source: CII KPMG Report – Indian Entertainment Industry Focus 2010: Dreams to Reality)

The avenues of subscription revenues are also in the upswing with the increase in the demand of Indian content abroad. This is owed vastly due to the strong Indian presence abroad and the demand for Indian content internationally. With the demand for 'local flavour' worldwide, there is a steady growth in international broadcasting. This is done through various technologies, such as cable, DTH and terrestrial broadcast, through arrangements with broadcasters, cable operators and other industry participants. Typically, these are revenue-sharing arrangements based on the total number of subscribers. This

programming is typically directed at the non-resident population or others interested in Indian news and culture. This pushes subscription revenues even further.

Other Revenues:

The other avenues open to the broadcasters are often exploited by them to garner revenues. Sale of content is a common source wherein content owned by the broadcaster is sold or charged for airplay.

The Future Outlook:

There has been an increase in the television revenues over the past few years. It is expected that the same trends will not only continue but also improve in the years to come. Some of the factors which have a bearing on advertisement revenues are as follows:

1. Overall Economic Progress:

Economic growth in India has been on the upswing across all sectors. This has increased the level of business done. The overall GDP of India has seen a growth rate (at factor cost), of 6.9% in fiscal 2005 and 8.5% in fiscal 2004, according to the Central Statistical Organisation in the Ministry of Statistics and Programme Implementation.

2. Change in perception towards medium of advertisements:

With the increase in economic progress, several businesses and industries have bloomed and entered the growth phase. The share of television advertising as a percentage of total advertising revenue grew steadily in the 1990s. Although it has remained relatively stable in recent years at around 41%, the increase in the number of businesses and the potential size of businesses, TV advertisement is set to be the medium of choice in future. (*FICCI – PWC Report*)

3. Increase in the Reach of Media:

As a recognition of its potential, TV media is perceived to be the medium which will reach out to the masses. Pushed by economic growth, the number of television households are set to increase, especially in the lower socio-economic strata. Also the number of C&S homes are set to increase as a direct result of economic growth and prosperity. This will push the revenues of advertising and television even further.

4. Increase in cable revenues:

In addition to possible growth due to an increase in the number of cable and television homes, overall subscription revenues may grow as more channels become pay channels and increase in subscription rates. In addition, the share of subscription revenues allocated to broadcasters could increase with the implementation of the CAS, DTH and other new technologies, as well as regulatory or other measures that could potentially address the problem of under-reporting of subscribers.

5. International Demand:

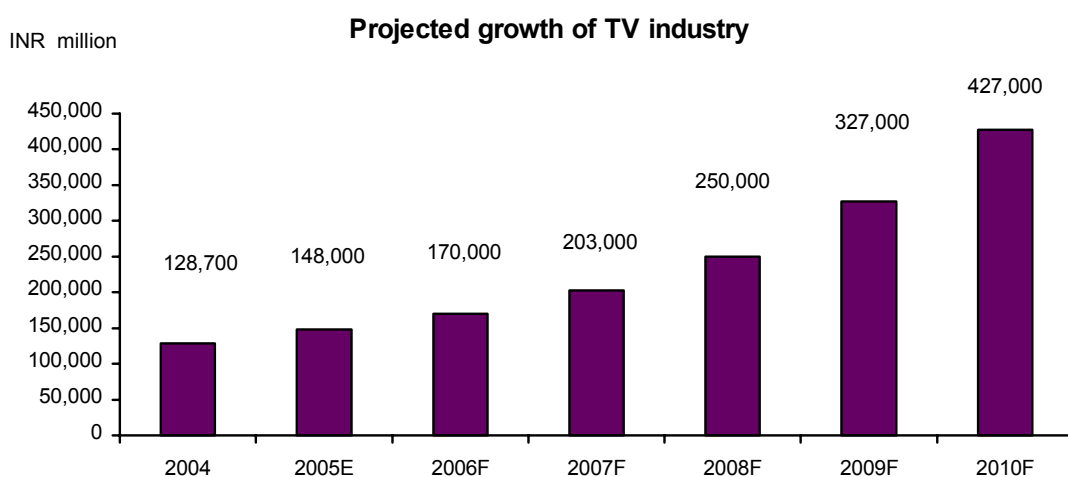
With the able help of globalization, the demand for Indian television overseas has increased. Indian television is becoming popular, not only amongst the Indian abroad, but also to foreign residents. Also, sale of content is becoming very popular due to the increased demand of Indian television and movies.

In addition, regulation of the Indian television market has had and will continue to have a significant effect on the opportunities for broadcasters. The Government has been considering opening up the

terrestrial broadcasting sector to private companies for several years, although no action has yet been taken. The Government has also been considering reforms of the cable and satellite broadcasting segment, including changes relating to regulation and implementation of CAS legislation. The industry is also witnessing the introduction of DTH as an alternative platform for satellite broadcasting, and the regulations concerning cross-ownership of DTH platforms by broadcasters will have an important impact on the evolution of this market.

Future growth Potential

Television has dominated the entertainment and media industry and has the potential to do so even in the future. There is a wide disparity amongst the number of home and number of TV-homes. The television industry is estimated to be INR 148 billion of which the largest chunk continues to be the television distribution segment. The Indian television industry is projected to grow at an annual compounded rate of 24 percent per annum over the next five years to reach the estimated size of INR 427 billion.



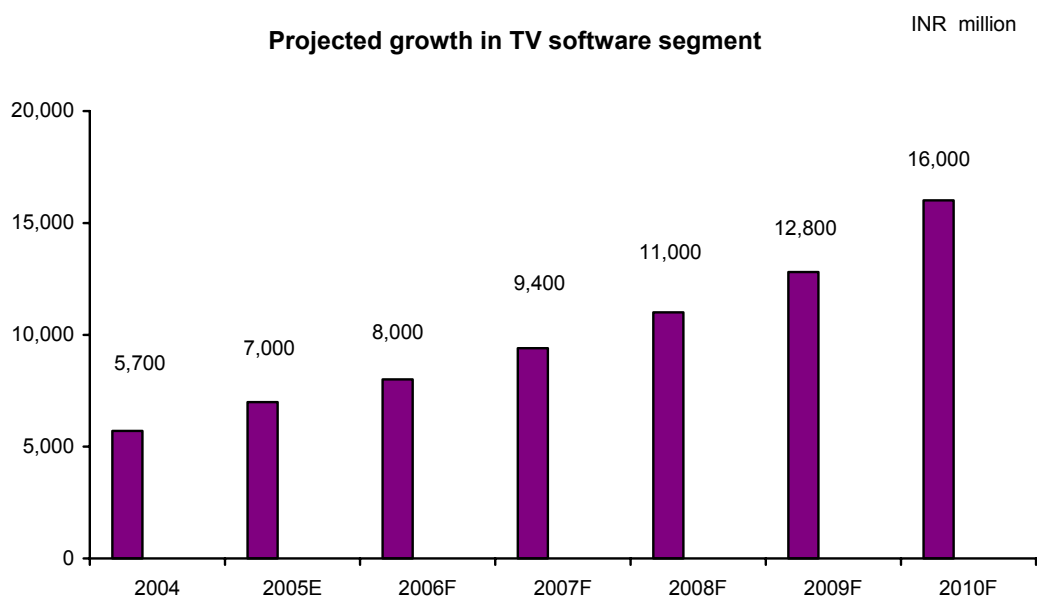
Households today pay INR 130 per month, the subscription rates are projected to go up to at least INR 250 per month by 2010. This translates into a compounded annual growth of 29 percent in the subscription revenues over the next five years. This growth is projected to be lower in the initial years, primarily due to regulatory interventions such as the price freeze on cable rates. Since the intention of the regulator, TRAI, is to remove the price freeze gradually, in order to bring about address ability, the growth projections for subscription rates is estimated to be higher in the later years.

As per industry estimates, the total advertisement spend in India last year was approximately INR 118 Billion. (*Source: CII-KPMG Report*). Through a growing economy and engouraging growth in GDP, there has been a significant change in the ad spending of large corporates. This is benefiting the television broadcasting industry, since their revenues are increasing, in spite of a stagnant share in the overall ad pie. A growing middle class is expected to spur the increasing tide of consumerism and a growing lineup of global brands will continue to be attracted by this expanding market. Consequently it is expected that the as 'spend to GDP' ratio will steadily increase over the next few years.

An increasing number of television homes today are going in for a cable connection. With changing demographics, the growing need for a cable TV connection is seen not just in A' class cities, but also in the B and C class towns. In fact, a large proportion of growth in C&S homes is now likely to emerge from these segments, which are till date were enjoy channels provided by the state- owned broadcaster (Doordarshan). With a current base of about 55 million C&S homes, the compound growth in this decade is projected to be between 8 and 10 percent per annum. This is in spite of the fact that most C&S homes today are in the analog mode and the potential of digital C&S services is still in its nascent stage.

Demand for content and new Niche Channels

Over 300 channels are being beamed across Indian skies and there constantly seems to be a demand for more. Resulting from increase in the demand for sharing of content and activation of nice channels. The demand for content in the form of TV software is ever increasing as more as more content is sought from content providers.



Even though total viewership is on the rise, viewership ratings of the three major mass entertainment channels in India have not changed significantly over the last few years. That's because viewers are getting drawn to niche channels (such as movie, news, lifestyle and children's channels). There is thus a potential to look at developing targeted niche channels, as is the case in most matured television markets across the world. Though some channels in the genre of lifestyle and music have been launched, they are simply a drop in the ocean. There is an ample room for more niche channels. For example, India could do with a dedicated 'food' channel or a women's channel as in the USA. Certain niche channels of English business news and sports are doing very well in India.

BUSINESS OVERVIEW

We are a regional media house, running entertainment and media channels, with a local flavour and niche content. With a collective share of our channels, we are one of the largest Tamil Television satellite broadcaster in Tamilnadu. We have been in operation since 1994 and have two active channels – ‘Raj TV’ and ‘Raj Digital Plus’. We are the second largest regional pay channel network. RAJ Digital Plus is the second largest tamil movie channel in the country. In addition to these two channels we are shortly planning to launch another multi content youth channel, which is also one of the objects of this Issue. The Network enjoys a strong brand value among the viewers for its irresistible content & unbiased social views.

Raj TV Network was launched in 1994 by our CMD Mr. M. Raajhendran along with his brothers, each one specialized in their business areas. RAJ TV was one of the first broadcasters to convert analog transmission into digital. The network’s strength has been its large content base addressing every member of the family thereby making it a true “People’s Channel”.

Our Television Channels

We currently operate two channels – Raj TV and Raj Digi plus which are Tamil channels. Both channels run on 24 hrs per day, 7 days a week.

Raj TV:

Our Company’s flagship channel, ‘Raj TV’ commenced broadcast on 14 October 1994 and has established itself in a short span of 12 years. We have been a pay channel since inception showing a vast variety of programmes including serials, films, devotional programmes, the vast storehouse of film rights, which has been built up over a period of time, is what sustained the channel in the initial years. Initially the channel was functioning with revenues basically from airtime sales. In due course of time, as Raj TV’s viewership grew, we built technical capabilities in the content development area. The channel grew from strength to strength, and today is positioned as the “People’s Channel”. The content broadcasts on our channel are mostly produced by us. The channel is in good demand and receives sizeable advertisement revenues. Advertisement revenues are also received by the sale of time slots to other producers. We enter into agreements with the producers to broadcast programmes or serials for on a fixed fee basis for certain time slots. However, the prime time slots have been retained by the channel for the programmes produced by the Company.

We consider “prime time” to be 7.00 p.m. to 10:40 p.m. from Monday to Friday, 5.30 p.m. to 10: 40 p.m. on Saturdays and 7.30 a.m. to 10:40 p.m. on Sundays.

Raj Digi Plus:

Raj Digi Plus is also a pay channel. Currently, there are only two 24 – hour tamil movie satellite channels available in Tamil Nadu. Raj Digi Plus, was the first 24 hour Tamil movie channel launched for the tamil speaking population. The content of the channel comprises of tamil movies, movie clippings, songs and trailers. The channel also shows other film based programs such comedy clips and views of celebrities and stars. The films which are screened on the channel are predominantly from our own portfolio. The network intends to procure more film broadcasting rights for screening on this channel. Our Company has positioned this channel as a dedicated movie channel showing both new and old films. The songs aired on this channel are also predominantly from owned film titles, but it also procures rights to screen trailers and new songs and movie clips.

Based on our restated financial statement for the year ending March 31st 2006, The Company generated a total income and net profit after tax of Rs.lacs 3195.98 Lakhs with Rs 356.08 lakhs respectively.

OUR STRATEGIC ADVANTAGE:

Mass Appeal.

RAJ network, with its bouquet of existing channels, appeals to mass viewership due to an extensive line up of attractive programming and content mix which caters to the entertainment needs of the entire family. Our channels have a wide viewer penetration ranging from urban to rural areas of the region. Our content satisfies people of all ages and background. The network offers a right mix of movies, serials, social debates, cultural, educational, cookery, handicrafts and religious programmes to address a variety of entertainment requirements of the viewers.

Enthralling Content

Over the years we have bought various kinds of rights such as satellite television rights, DVD/VCD/IPTV of around 1384 tamil films. These films comprise of old classics to recent blockbuster movies. We devote most of our resources in producing our own serials, film / non film based programmes and employ directors and other technicians including production houses to produced quality programmes for our channels. We have also produced several non-fiction & cultural programs which have wide viewership. We have through the years invested in tele-cine equipment and state of the art post production facilities to deliver quality content to our channels.

Strategic Business Model:

- Most of our serials and other programmes are produced by us. Therefore we also hold the proprietary rights for the most of the content produced by us.
- We also engage outside producers on contract basis to produce content. We then purchase the certain rights to these programmes from such producers and make them a part of our data base.
- We increase our revenues due to our model of producing our own content by way of cost control and higher margins in advertising revenues.
- Since we have control over the content produced by us, we are in a position to improve the quality and delivery of the produced content thereby attracting better ratings, viewership resulting into better advertisement revenues.
- Our business model leads to the development of our intellectual property asset base and helps garner revenues through sale/use of such content.
- Our IPR asset base shall provide the necessary backup for future expansions in India and abroad.

Regional Prominence:

We have predominantly positioned ourselves as a regional player and a ‘People’s Channel’, delivering the required regional flavour. We enjoy good brand value, primarily due to our concentration on the Tamil speaking population. Over the years, we have focused on catering to the local tastes and preferences of the viewers in the region which has positioned us as one of the leading tamil satellite regional television network. We have concentrated on developing local language programming with wide ranging formats to suit viewers preference. We regularly change our programming formats to respond to changes in preferences and trends of the viewers.

Religious & Cultural Programming

In recent times demand from the viewers for religious and cultural content has been increasing both in the domestic market and international. We have over the years aggregated more than 1000 hours of such content and have a potential to aggregate 100 hours of content every year. Our network also broadcast classical concerts and spiritual tourism related programmes apart from discourses by spiritual gurus.

Experienced Management & Motivated Staff Team.

Our Company is led by a knowledgeable team of senior management professional under the guidance of our experienced directors each one focusing on core business functions. Most of our employees

including the technical and non-technical staff have been since inception and has one of the lowest attrition rates in the industry. We value our staff as a major asset and offer various schemes / incentives in-return to their loyalty.

Business Strategy

Strengthen our Market position through better produced content:

We intend to set up a new production facility by investing in a new production studio to further improve the quality of content of our channels. We plan to produce game shows, talk shows, serials and short films to reinvigorate interest from local viewers and simultaneously entice new viewers. We shall be launching a new entertainment channel which shall appeal a niche segment of the audience. We will also restructure our content data base to improve quality of the programming to provide quality viewing. Production of quality short films, which can be viewed through both theatre and TV alike, shall further diversify our product portfolio.

Attract better revenues through increased Advertisements and Subscriptions

We believe that with sound marketing and distribution strategies, we will be able to garner a large share in the Indian and overseas Tamil viewing market, which will push our subscription revenues. Today we have established sound relationship with distributors, MSOs and LCOs. We have experienced an increase in subscription over the years, due to our established relationship with a chain of distributors.

Due to the growth in economic development, we believe, there will be a surge of advertisement revenues. We believe that the satellite medium for television shall continue its surge and reach out to a larger mass in the years to come. Better penetration will increase our subscriber base in turn leading to an increase in subscription revenues. In addition, regulatory reforms such as the expansion of conditional access systems (CAS) and direct-to-home ("DTH") broadcasting is expected to address the problem of underreporting of subscribers by cable operators, which may have a positive effect on our revenues.

Expand our reach through geographical expansions:

We shall be tapping the international market by expanding our geographic coverage. We intend to expand our international tamil viewership who demand regional channels. This expansion strategy has been formulated keeping in mind the large numbers of Tamil and Malayalam speaking population spread across the world specially in America, Srilanka, Singapore, Malaysia, Europe, South Africa, Mauritius, Australia and Fiji. We plan to broadcast our channels with local flavor and culture in these territories.

Strengthen our base by engaging in Technological Upgradation:

We will be upgrading our current technological competence by investing in new technologies to help in archiving and digitizing our content assets. We will invest in a new air-conditioned studio with state of the art equipment and also in technologies such as digital play-out server and digital archiving systems, for better preservation and retrieval of our content. We also plan to exploit our content base through various new technology broadcasting platforms such as broadband, IPTV and mobile apart from cable and DTH in India & overseas.

Export of films

The last few years has witnessed a considerable change in the South Indian film & television industry which has considerable popularity in overseas markets with the expatriate population. This segment involves distribution of films and music rights. The popularity and fan-following enjoyed by South Indian movies in countries like Middle East, Japan, USA, Fiji, Russia and other Asian countries like Sri Lanka have boosted the potential of screening and distribution rights to music and films in these regions. Over the years we have procured international rights for Tamil & Telugu films produced in India to cater to this foreign market. We shall be tying up with distributors to export these films in the near future.

Our Programming Operations:

We understand the pulse of the tamil speaking population which helps us in programming the content as per the needs of the viewer. We understand the tamil culture and accordingly provide a mix of programming ranging in news, entertainment, religious & devotional programmes. We also have breakfast talk shows and interviews of eminent and inspiring people to cater to audience preference.

Serials:

Serials provide family entertainment to our viewers. We have serials which are multi-episode based catering to the genres of drama, comedy, crime, etc. We produce almost all the serials that are aired on our network. For weeklies serials the minimum number of episodes that are produced are 14, where as for mega serials the episodes production go upto 80 episodes. One of our serials "Geethanjali" has completed around 766 episodes which has been running since January 2005. This serial has received a TVR rating in Chennai of 5.74 in the Female 15+ consumer category for its episode telecast on November 28, 2005. (Source: TAM)

Films:

Our Company has a bank of more than 1350 movie titles. RAJ TV, our flagship channel, has a movie segment which attracts good viewership. The movie bank comprises of several A grade movie, popular ones include, "Mannan" "Annamalai" "Arasatchi" "Singaravelan" "Vannakam Thalaiva" "Karnan" "Rajarajcholan". The channel runs movies on prime times also depending upon the demands of the viewers. We intend to procure movie rights to add value and increase our viewership and revenue.

Our Company has got its Film Satellite Rights valued from an independent valuer Mr. Sundaram S. Iyer, Corporate Consultant. The valuer has issued a Valuation Report dated September 11, 2006 and has valued the Company's Film Satellite Rights over 1308 films at Rs. 374,82,78,000/-.

The rights that we acquire from other producers include, broadcast rights through satellite, DVD, VCD, cable distribution, internet and mobile phone broadcasting rights. For new movies rights it is an industry practice to wait for a period of two to three year after the film is released in the theatres before it can be telecast on our network. However, this condition can be waived by a payment of a premium to the producers.

We have entered into agreements, for international distribution of our content, with Dot Com Infoway and Num TV. The agreement with Dot Com Infoway is to contract for the distribution of our Company's content over the internet. Under the agreement, the Company agrees to offer galata.com the liberty to download and webcast our content to suit the prime viewing needs of tamil speaking audience from anywhere in the world but through internet or broadband only. We shall be sharing our revenues earned per viewer on a 50:50 basis and the transaction shall be completed online. This involves the distribution of content through the Internet via Broadband format. These are our efforts to enter into the IPTV foray thereby addressing the technological needs of today and tomorrow.

We have also entered into an agreement with Videsh Sanchar Nigam Limited (VSNL) for providing our movie content on the 'Video-on-demand' format. We shall be providing VSNL with movie titles which shall be exploited on their network by being made available on their network. We shall be sharing our revenues with VSNL, wherein VSNL shall remitt 40% of the gross fees to us.

Devotional Programme:

Raj TV also runs a devotional programme in the morning, which is unique by itself in this regional segment. It is conscious in its efforts to provide religious content to the elder section of the viewers. The programme has been well received by our viewers.

Self Censorship:

We have internal procedures of censoring the programs prior to broadcast. If deemed necessary our in-house reviewer censors and edit programs and advertisements to ensure compliance with legal and moral standards of the society and viewer sentiments and sensitivities. We specifically monitor the use of foul and abusive language, politically controversial statements and the attire of program participants and actors.

Our Revenues:

Our revenues come for several sources in view of the business model we have adopted. Primarily, being a pay channel, there is a trade off between the subscription level and the advertisement income, as compared to a free-to-air channel. However, this mix gives us an opportunity to mitigate our risks and generate better returns.

Advertisement Income:

We obtain a large amount of Advertisement revenues through the broadcast of our programmes. We have a common rate structure for both our channels. We structure the revenues as per time slots such as prime-time, half-prime time and non-prime time. This gives us an understanding of the type of revenues generated from different time slots. We also allow 'Title Sponsor' to the content we broadcast to some of our advertisers. Title sponsors pay a premium fee to be the main sponsor of the programme. This Title sponsor receives extra benefits by being the main sponsor and gets the first spot during the programme. There is generally no long term commitment with a Title Sponsor and we limit the same to a period of 4 weeks. This is then renewed on a rollover basis for a further period mutually agreed upon.

We have a strong marketing team and have good relations with major advertisers. The Company is catering to leading advertisement agencies and MNC clients like:

Leading Agencies	Leading Clients
Hindustan Thomson Associates (HTA)	Hindustan Lever Limited
Ogilvy & Mather	Godrei Group
Initiative Media (Lintas)	Smithkline Beecham
Madison	Paras Pharmaceuticals
Chaitra Leo Burnett (CLB)	Procter & Gamble
Mc Cann Erickson	Nestle
Starcom	Coke
MediaCom	Pepsi
FCB Ulka Advertising	Whirlpool
Trikaya Grev	Colgate
Ambience	Jyothi Laboratories

Subscription Revenues:

We are primarily a pay channel, and hence receive subscription revenues from subscribers. We have chosen this model keeping in mind the technological changes in the means and methods of broadcasting in near future.

We receive a fee based on the number of subscribers declared by the cable operators. A major concern in relation to this model is the underreporting of subscribers by many cable operators which results in lower revenues for the Company. This situation is being slowly addressed by the introduction of the Conditional Access System (CAS) and DTH. Under CAS, a viewer can select and pay for a specific channels and is provided those channels through the cable operator. The Set Top Box and a Decoder Card control the signal for the channels being paid for by the consumer or viewer. Currently, CAS has been implemented only in Chennai, however the Delhi High Court, by an Order dated July 20 2006, has

directed the Information and Broadcasting Ministry to implement CAS by December 31 2006 in the cities of Delhi, Mumbai and Kolkata. On implementation there shall be a clear distinction between 'free-to-air' and 'pay channels'.

As regards DTH, since it's a direct-to-home mode of broadcasting television channels, it shall facilitate better reporting of subscriptions thereby providing further transparency in the system.

Export of Films:

The last few years has witnessed a considerable change in the South Indian film & television industry which has considerable popularity in overseas markets with the expatriate population. This segment involves distribution of films and music rights. The popularity and fan-following enjoyed by South Indian movies in countries like Middle East, Japan, USA, Fiji, Russia and other Asian countries like Sri Lanka have boosted the potential of screening and distribution rights to music and films in these regions.

Content Syndication:

We have a large library of films rights acquired over a period of years alongwith a vast pool of content produced by us. We receive revenues by sale of one time broadcast or other rights from such content syndication and expect this to increase in the near future. Currently we have entered into an agreement with the Sri Lanka Rupavahini Corporation (SLRC) for international content syndication. Under the agreement, we shall make available several film titles on a monthly basis. These films shall be downlinked by SLRC at Colombo for re-telecast on its network for single time airing. This will not permit SLRC to use the content of the films down linked in parts for any future programming. We shall also provide software for telecast as half hour episodes.

Cost control and Reduction in Cost:

In our effort to generate better content and increased quality, we intend to invest in a studio with state of the art technology. This shall also be a cost saving measure in the production process. Also, we will be applying new technology for archiving and preservation of our content data base.

Distribution and Infrastructure:

Since we are a pay channel, after the uplink of the encrypted channel, it is downlinked by the MSOs who convert them so as to distribute to other LCOs. Currently, for uplinking of the content software to the satellite, our Company utilizes the facility of Shin Satellite Public Company Limited, Thailand. The footprint of the beam covers South East Asia, Middle East and the Indian Sub Continent.

We have entered into agreements, for international distribution of our content, with Gallata.com and Num TV. This involves the distribution of content through the Internet via Broadband format.

Since we are a pay channel, we have a distribution team for collection of subscription revenues from cable operators.

Distribution Rights Agreement

The Company has entered into an agreement with VISAA Television Network Limited, a Promoter Group Company on 23rd April 2006 with regard to the grant of the exclusive distribution rights worldwide of its channels.

The essential terms and conditions are as follows:

- Duration: The agreement shall be for a period of 5 years commencing from 23rd February 2006.
- VISAA TV has agreed to grant the Company the authority to appoint sub distributors and also work with other various marketing agencies on behalf of VISAA TV towards revenue generation.
- The Company shall provide collection statements to VISAA TV on a monthly basis and VISAA TV shall offer 10% of Gross revenue generated and shall be paid to the Company on Quarterly basis.

- The Company has agreed to be an exclusive marketing and distributor of VISAA TV and shall not enter into any similar arrangement with the competitors of VISAA TV directly or indirectly during the tenure.
- The Company will at all times abide by the rules and procedures set by VISAA TV and in the event of the Company failing to comply with the rule and regulations VISAA TV shall have the right to terminate the agreement by giving 8 weeks notice, and on event of such termination all outstanding payments shall be settled within the next 15 days from the date of termination.
- The Company shall confine its activities to the territory defined in the agreement.
- VISAA TV shall pay a sales commission of 10% of the gross revenue generated for marketing and distribution services rendered on a quarterly basis.
- VISAA TV shall provide all marketing and promotional materials deemed necessary.

Properties and Infrastructure:

We currently operate out of our head office in Chennai, which is a self owned building having a built up area of about 12,000 square feet spread over five floors and a basement and is situated at 32 Poes Road, Mylapore, Chennai. The Company has its software library, newsroom, recording studio, production, editing, mastering and dubbing studios located in the same building.

The Company also owns adjoining plots of land measuring 19167 square feet. The Company intends to build a studio of a built-up area of around 27400 square feet out of the Proceeds of the Issue. The adjoining plots are situated at No. 12, 14, No.15, No. 52 and 53 Poes Road, Mylapore, Chennai. The above properties have not been registered in the name of the Company.

Intellectual Property

We have applied for registration of the following Trademark/Logomark:

Trademark	Class	Application Number
Raj TV (Word mark)	09,16,35,38 & 41	1481870
The Peoples Channel	09,16,35,38 & 41	1481871
Logo 1 "Raj"	09,16,35,38 & 41	1481872
Logo 2 Raj""	09,16,35,38 & 41	1481873
Logo "Raj" (Tamil version)	09,16,35,38 & 41	1481874

The Applications for the above registrations have been made on the August 21, 2006 and the same are pending registration. The applications have been made in all Classes covering in general the areas of film related computer programs, multimedia, entertainment industry, television films, Advertisement frames, journals, on-line advertising, telecommunications, entertainment and education services. These classes broadly cover all the operations and spheres in which our Company is currently involved.

Insurance

1. The Company has taken a Standard Fire and Special Perils Policy including Earthquake (Fire and Shock) from the New India Assurance Company Limited vide policy No. 710100/11/05/11/0001241.

Description of property Insured:

- i) Buildings with foundation and Compound Wall
- ii) Machinery and Accessories such as Lift, UPS, EPBX, Computers, Air Conditioners, Electrical Installations, Lighting Control Board,
- iii) Furniture, fixtures and Fittings including False Ceiling, glasses front show.

Sum Insured: Rs. 4,75,00,000/-

Period of Insurance: 28th March 2006 to 27th March 2007

Employees:

As of 31st March 2006, we had a total permanent full-time work force of 215 employees. The details of employees working in different functional areas are set out below:

Particulars	Nos. of Employees
Administration	48
Accounts and DTP	15
Systems, Programmes and Scheduling	12
Marketing	25
Technical	6
Editorial and reporters	17
MCO	2
News room, Camera Crew and Assistants	47
Library, Monitoring and Mastering	10
Uplink	6
Graphics	16
Production	9
Corporate Planning and Company Secretary	2
Total Employees	215

We place special focus on human resources and provide statutory benefits. We have maintained good relations with our employees.

III. KEY INDUSTRY REGULATIONS AND POLICIES

Regulations and Policies

The following description is a summary of the relevant regulations and policies as prescribed by the Ministry of Information and Broadcasting, the Department of Telecommunications, the and the GoI. The information detailed in this chapter has been obtained from the websites of the relevant regulators and publications available in the public domain. The Government of India has, over the years, formulated various regulations, which specifically apply to companies operating in the television broadcasting. These regulations are made applicable either by means of statutory enactment governing broadcasting, by action of the regulators who govern this area and are also made applicable as conditions under certain licenses that are required to be acquired prior to the broadcasting of information. Some of the important legislation in this area is:

The Indian Wireless Telegraphy Act, 1933 (the “Wireless Act”)

The Wireless Act governs all forms of “wireless communication”, i.e.; transmission and reception without the use of wires or other continuous electrical conductors between the transmitting and the receiving apparatus. It stipulates that no person shall possess wireless telegraphy apparatus without obtaining a license in respect thereof. Applications under the Wireless Act are made to the Wireless Planning & Coordination Wing (“WPC”), a wing of the Ministry of Communications, created in 1952. The WPC is the national radio regulatory authority responsible for frequency spectrum management, including licensing to wireless users (government and private) in India. It exercises the statutory functions of the Central Government and issues licenses to establish, maintain and operate wireless stations. The WPC is divided into major sections like licensing and receive, new technology group and Standing Advisory Committee on Radio Frequency Allocation (the “SACFA”). SACFA makes the recommendations on major frequency allocation issues and clearance from the SACFA is required prior to commencing FM broadcasts. It is also involved in formulation of the frequency allocation plan, making recommendations to the International Telecom Union and clearance of all wireless installations in the country. Clearance from the WPC is required for the usage of certain equipment for television broadcasting including Satellite News Gathering (“SNG”) and Digital Satellite News Gathering (“DSNG”) equipment and teleports.

The Telecom Regulatory Authority Act, 1997 (the “TRAI Act”)

The TRAI Act established the Telecom Regulatory Authority of India (“TRAI”) and the Telecom Disputes Settlement and Appellate Tribunal (“TDSAT”). The TRAI and TDSAT are the regulatory and appellate bodies in India which regulate telecommunication services and adjudicate disputes in relation thereto, respectively.

Under the TRAI Act, the TRAI is empowered to make recommendations to the Central Government or the entity empowered under the Telegraph Act to issue licenses in connection with matters such as the need and timing for introduction of new service providers, terms and conditions of licenses issued to service providers and the revocation of licenses for non-compliance with terms and conditions. The functions to be discharged by the TRAI include ensuring compliance with the terms and conditions of licenses, regulate revenue sharing arrangements among service providers and specifying the standards of quality of service to be provided by service providers.

The TRAI is empowered to call upon any service provider at any time to furnish in writing such information or explanation as is required or to conduct an investigation into the affairs of any service provider or issue directions in respect thereof.

Regulations Governing Television Broadcasting

Television broadcasting in India is governed by regulations which apply to the various stages of gathering, processing, uplinking, down linking and accessing the television programming. In addition to the said legislation, the industry is also governed by an industry regulator.

Regulation by the TRAI

Television broadcasting was brought under the ambit of the TRAI by classifying broadcasting and cable services as “telecommunications” on January 9, 2004. The TRAI has been mandated to review policy governing broadcasting and cable services and has made significant recommendations and interventions in relation to the Conditional Access System (“CAS”) Regime.

Regulations for uplinking

The gathering, uplinking and broadcasting of television based content in India was governed by a series of guidelines promulgated by the MIB. These included the “Guidelines for uplinking from India” notified in July 2000, the “Guidelines for Uplinking of News and Current Affairs TV Channels from India” notified in March 2003, and the “Guidelines for use of SNG/DSNGs” notified in May 2003.

On December 2, 2005, the above guidelines were consolidated into the “Guidelines for Uplinking from India” (“Uplinking Guidelines”) which relate to:

- (i) Permission for setting up of Uplinking Hub/Teleports;
- (ii) Permission for Uplinking a Non-News and Current Affairs TV Channel;
- (iii) Permission for Uplinking a News and Current Affairs TV Channel;
- (iv) Permission for Uplinking by Indian News Agency;
- (v) Permission for use of SNG/DSNG Equipments in C Band and KU Band; and
- (vi) Permission for Temporary Uplinking.

Permission for Setting up of Uplinking Hub/ Teleports.

Companies making applications to establish uplinking hubs or teleports in India are required to satisfy certain capital adequacy requirements based on the number of channels being broadcast, for example a company with teleport with single channel capacity is required to maintain a net worth of Rs. 10 million and a company with teleport with 15 channel capacity is required to maintain a net worth of Rs. 30 million. Further, foreign equity holding including NRI/OCB/PIO investment is not permitted to exceed 49%.

Licenses granted are valid for a period of ten years. A one time license fee is payable for every teleport licensed under the above system and uplinking is permitted only for channels which are approved for uplinking by the MIB.

Permission for Uplinking Non-News & Non Current Affairs TV Channel

This permission enables the uplinking of channels which do not include elements of news & current affairs in their program content. Applicants with one channel are required to maintain net worth of Rs. 15 million for one channel and Rs. 10 million for every additional TV channel.

Licenses granted are valid for a period of ten years. The company is also required to comply with the procedure laid down in the downlinking guidelines notified by the MIB.

Permission for News & Current Affairs TV Channel

These guidelines apply to channels having any element of News & Current Affairs content in their programming content. Under the guidelines, foreign equity holding including FDI/FII/NRI investment in such companies is not to exceed 26% of the paid up equity of the company. However, entities making portfolio investment in the form of FII/NRIs deposits are not to be treated as “persons acting in concert” with FDI investors.

While calculating the foreign holding component for the above limit, the equity of foreign entities in Indian shareholder companies of the company applying for uplinking permissions is reckoned as foreign holding in the applicant company.

However, the indirect FII equity in a company as of 31st March of the year would be taken for the purposes of pro-rata reckoning of foreign holdings.

Under the Uplinking Guidelines 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 Act) in the company, is to be held by the largest Indian shareholder, which in case of an individual, would include all relatives of such shareholder and all companies in which such shareholder has controlling interest and who have entered into a legally binding agreement to act as a single unit. Licenses granted are valid for a period of ten years.

The company is required to disclose all material agreements in the nature of shareholders agreements, loan agreements and such other agreements that are finalized or are proposed to be entered into by it at the time of application for permission to uplink. Any subsequent changes in said agreements or the foreign direct investment in the company is to be disclosed to the MIB, within 15 days of the occurrence thereof.

Upon the finalization of the Basis of Allotment, our Company would also be required to notify the MIB, of the percentage of the foreign direct investment pursuant to the Issue.

The company is required to intimate the names and details of all non resident persons proposed on the board of directors of the company and any foreigners/NRIs to be employed/engaged in the company either as consultants (or in any other capacity) for more than 60 days in a year, or, as regular employees to the MIB.

Under the Uplinking Guidelines at least 75% of the directors on the board of directors of the company and all key executives and editorial staff including the CEO, known by any designation and/ or head of the channel, are required to be resident Indians.

As of date of this Red Herring Prospectus all our Directors are resident Indians. All appointments of key personnel (executive and editorial) are to be made by the company without any reference on/ from any other company, Indian or foreign. The representation on the board of directors of the company is required to be as far as possible proportionate to the shareholding.

Companies are required to have complete management control, operational independence and control over its resources and assets and must have adequate financial strength for running a news and current affairs TV channel.

Companies with one channel are required to maintain net worth of Rs. 30 million for one channel and Rs. 20 million for every additional TV channel.

Basic Conditions/Obligations

Permission for usage of facilities/infrastructure for live news/footage collection and transmission, irrespective of the technology used, is only to be granted to channels uplinked from India.

The up linking company or channel is further required to ensure that its news and current affairs content provider(s), if any, are accredited with the Press Information Bureau and that it uses only equipment which is duly authorized and permitted by the competent authority.

The company/channel is to undertake to comply with the programs and advertising codes, keep a record of the content uplinked for a period of 90 days and to produce the same before any agency of the government, as and when required, The applicant company/channel is required comply with all the terms and conditions of the permission/approval prescribed by the MIB and failure to comply with any of the terms and conditions will result in withdrawal of such permission/approval and suspension/cancellation of the wireless operating licence issued by the WPC.

The licensee is required to sign a license agreement after allotment of frequency by WPC. The license agreement is to specify detailed terms and conditions under which the licence is to be operated. Within one year from the date of signing of license agreement, the applicant company is required to obtain SACFA clearance, set up the necessary broadcast facilities and obtain a Wireless Operating License from the Wireless Advisor in the WPC Wing of the Ministry of Communications and Information Technology and pay the spectrum usage fee as determined by the WPC.

Permission for the use of Satellite News Gathering Technology

The use of SNG and DSNG equipment is restricted to certain types of users, each of whom have to have to apply to the MIB and obtain permission for the same. PIB accredited content provider(s) if any, are permitted to use SNG/DSNG for collection/transmission of news/footage. These channels are permitted to use the technology to gather live news or footage and for point to point transmission entertainment channels uplinking from their own teleport are permitted to use SNG/DSNG for their approved channels, and for transfer of video feeds to the permitted teleport.

All foreign channels, permitted entertainment channels uplinked from India and entities permitted to use SNG/DSNG equipment are required to seek temporary uplinking permission for using SNG/DSNG for any live coverage/footage collection and transmission on case to case basis. Certain technical and other restrictions are applicable to usage within these permitted categories such as captive usage.

1. Uplinking is to be carried out only in the encrypted mode, so as to be receivable only in closed user group. Signals are to be down linked only at the permitted teleport of the licensee and uplinked for broadcasting through permitted satellite only through such teleports.
2. Content collected through SNG/DSNG technology is required to conform to Program and Advertisement Codes.
3. The use of SNG/DSNG is prohibited in certain regions by the Ministry of Home Affairs (“MoHA”), defense installations and in certain areas cordoned off for security purposes.
4. The company is required to inform the MIB about placement of their terminals.
5. The usage term for SNG/DSNG equipment extends up to the period of the channel permission for news and current affairs content providers for such channels and up to the period of the teleport license for teleport owners.
6. Permissions are required to be taken from the WPC for the use of SNG/DSNG technology and for frequency authorization. The WPC permission is renewable annually.
7. Usage of the SNG/DSNG technology is also permitted in the KU Band.

Penalties for violations of the said guidelines include suspensions of the corresponding uplinking licenses for various periods of time, and / or prohibitions on broadcasting material during the permission period.

Foreign Investment

Under Press Note No. 01 (2006) Series on Foreign Direct Investment (FDI) in Up-linking of TV Channels, FDI in the Up-linking of TV Channels is permitted as under:

1. FDI up to 49% is permitted with prior approval of the Government for setting up the Up-linking Hub/ Teleport;
2. FDI up to 100% is allowed with prior approval of the Government for Up-linking a Non-News & Current Affairs TV Channel;
3. FDI (including investment by Foreign Institutional Investors (FIIs) up to 26% is permitted with prior approval of the Government for Uplinking a News & Current Affairs TV Channel subject to the condition that the portfolio investment in the form of FII/ NRI deposits shall not be “persons acting in concert” with FDI investors.

A company permitted to uplink a channel is required to certify the continued compliance of the above requirement at the end of each financial year. While calculating foreign equity of the applicant company, the foreign holding component, if any, in the equity of the Indian shareholder companies of the applicant company is to be duly reckoned on a pro-rata basis, so as to arrive at the total foreign holding in the applicant company. However, the indirect FII equity in a company as on 31st March of the year is to be taken for the purposes of pro-rata reckoning of foreign holdings. Further, FDI in the Up-linking TV

Channels will be subject to compliance with the Uplinking Guidelines and policy of the MIB as may be notified from time to time.

Policy Guidelines for Downlinking of Television Channels

Ministry of Information and Broadcasting, Government of India, has formulated policy guidelines dated November 11, 2005 (“**Downlinking Guidelines**”) for downlinking all satellite television channels downlinked/received/transmitted and re-transmitted in India for public viewing. Pursuant to this Downlinking Guidelines no person/entity shall downlink a channel, which has not been registered by the Ministry of Information and Broadcasting under these Downlinking Guidelines. Henceforth, all persons/entities providing Television Satellite Broadcasting Services (TV Channels) uplinked from other countries to viewers in India as well as any entity desirous of providing such a Television Satellite Broadcasting Service (TV Channel), receivable in India for public viewership, shall be required to obtain permission from Ministry of Information and Broadcasting, in accordance with the terms and conditions prescribed under these Downlinking Guidelines.

Eligibility Criteria for Applicant Companies prescribed under the Downlinking Guidelines:

- The entity applying for permission for downlinking a channel, uplinked from abroad, (i.e. Applicant Company), must be a company registered in India under the Indian Companies Act, 1956, irrespective of its equity structure, foreign ownership or management control.
- The applicant company must have a commercial presence in India with its principal place of business in India.
- The applicant company must either own the channel it wants downlinked for public viewing, or must enjoy, for the territory of India, exclusive marketing/ distribution rights for the same, inclusive of the rights to the advertising and subscription revenues for the channel and must submit adequate proof at the time of application.
- In case the applicant company has exclusive marketing / distribution rights, it should also have the authority to conclude contracts on behalf of the channel for advertisements, subscription and programme content.
- The applicant company should have a minimum net worth as prescribed below:

<u>Item</u>	<u>Required net worth of the Co.</u>
1. For downlinking one Channel	Rs 1.50 Crores
2. Every Additional Channel	Rs.1.00 Crores

- The applicant company must provide names and details of all the Directors of the Company and key executives such as CEO, CFO and Head of Marketing etc to get their national security clearance.
- The applicant company shall furnish, technical details such as Nomenclature, make, model, name and address of the manufacturers of the equipments/instruments to be used for downlinking and distribution, the Block schematic diagram of the downlinking and distribution system and also demonstrate the facilities for monitoring and storing record for 90 days.
- The Applicant Company should not have been disqualified from holding such permission under these guidelines.

Eligibility Criteria for Registration of Channels for being Downlinked

- Only Companies permitted/eligible for permission to downlink shall be eligible to apply for registration of channels.

- The downlinked channel must be licensed or permitted for being broadcast by the regulatory or licensing authority of the country of transmission, proof of which would have to be submitted at the time of application.
- The channel being registered should not have been de registered under these guidelines at the time of application.
- News and Current Affairs channel shall be permitted to be downlinked if it does not meet the following additional conditions:
 - That it does not carry any advertisements aimed at Indian viewers;
 - That it is not designed specifically for Indian audiences;
 - That it is a standard international channel;
 - That it has been permitted to be telecast in the country of its uplinking by the regulatory authority of that country;
 - Provided that the Government may waive/modify the above conditions on a case-by-case basis.
- For the purposes of these guidelines any channel, which has any element of news or current affairs in its programme content, will be deemed to be a news and current affairs channel.
- Companies whose channels are being downlinked at present will be required to comply with all formalities of registration of these channels and obtain the necessary permission within 180 days from date of issue of these Downlinking Guidelines guidelines i.e. November 11, 2005.

The Ministry of Information and Broadcasting shall grant registration to each channel for an initial period of 5 years, which shall be extendable thereafter as per extant Rules. The applicant company will be granted permission for one or more years up to a maximum of five years, co-terminus with the registration of the channel.

Basic Conditions/Obligations

- The Company permitted to downlink registered channels shall comply with the Programme and Advertising Code prescribed under the Cable Television Networks (Regulation) Act, 1995.
- The applicant company shall adhere to any other Code/Standards guidelines/restrictions prescribed by Ministry of Information & Broadcasting, Government of India for regulation of content on TV channels from time to time.
- The applicant company shall submit audited annual accounts of its commercial operations in India.
- The applicant company shall obtain prior approval of the Ministry of I & B before undertaking any upgradation, expansion or any other changes in the downlinking and distribution system/network configuration.
- The applicant company shall provide Satellite TV Channel signal reception decoders only to MSOs/Cable operators registered under the Cable Television Networks (Regulation) Act 1995 or to a DTH operator registered under the DTH guidelines issued by Government of India.
- The applicant company shall ensure that any of its channels, which is unregistered or prohibited from being telecast or transmitted or re-transmitted in India, under the Cable Television Networks (Regulation) Act 1995 or the DTH guidelines or any other law for the time being in force, cannot be received in India through encryption or any other means.
- The Union Government shall have the right to suspend the permission of the company/registration of the channel for a specified period in public interest or in the interest of National security to prevent the misuse of the channel. The company shall immediately comply with any directives issued in this regard.
- The applicant company seeking permission to downlink a channel shall operationalise the channels within one year from the date of the permission being granted by the Ministry of I&B, failing which the permission will liable to be withdrawn without any notice in this regard. However, the company shall be afforded a reasonable opportunity of being heard before such a withdrawal.

- The company/channel shall adhere to the norms, rules and regulations prescribed by any regulatory authority set up to regulate and monitor the Broadcast Services in the country.
- The applicant company shall give intimation to Ministry of I & B regarding change in the directorship, key executives or foreign direct investment in the company, within 15 days of such a change taking place. It shall also obtain security clearance for such changes in its directors and key executives.
- The applicant company shall keep a record of programmes downlinked for a period of 90 days and to produce the same before any agency of the Government as and when required.
- The applicant company shall furnish such information as may be required by the Ministry of I&B from time to time.
- The applicant company shall provide the necessary monitoring facility at its own cost for monitoring of programmes or content by the representative of the Ministry of I&B or any other Government agency as and when required.
- The applicant company shall comply with the obligations and conditions prescribed in the downlinking guidelines issued by the Ministry of I&B, and the specific downlinking permission agreement and registration of each channel.
- In the event of any war, calamity/national security concerns, the Government shall have the power to prohibit for a specified period the downlinking/ reception/ transmission and re-transmission of any or all channels. The Company shall immediately comply with any such directions issued in this regard.

Offences And Penalties under the Downlinking Guidelines

- In the event of a channel found to have been/being used for transmitting any objectionable unauthorized content, messages, or communication inconsistent with public interest or national security or failing to comply with the directions, the permission granted shall be revoked and the company shall be disqualified to hold any such permission for a period of five years, apart from liability for punishment under other applicable laws. Further, the registration of the channel shall be revoked and the channel shall be disqualified from being considered for fresh registration for a period of five years.
- The Ministry of Information and Broadcasting shall have the right to impose the penalties stated in the Downlinking Guidelines

IV. HISTORY AND CORPORATE STRUCTURE

History

Raj Television Network Limited (RTNL) was incorporated on 3rd June 1994 as a public limited company with the objective of carrying e entertainment business. Our Company was promoted by Mr. M. Raajhendhran, Mr. M. Rajaratnam, Mr. M. Raveendran and Mr. M. Regunathan. The registered office of our Company is situated at 32 Poes Road, 2nd Street, Teynampet Chennai, Tamilnadu.

Raj Group consisting of all the four brothers commenced operations in 1983, primarily as a videocassette lending library, under the name of “Raj Video Vision”. The group started acquiring rights for Tamil feature films from various producers from 1984 onwards. During this period, the group also started acquiring the television, cable, overseas and other rights associated with the movies.

In 1987, Raj Group ventured into the media and entertainment business with the setting up of an integrated studio viz. “Rajendras”. The facilities in the studio were used by independent movie and serial producers. Raj Group also commenced the production and export of tele-serials, movies and other programmes using the studio and exported 35mm movies and tele-serials to various countries including Malaysia, Singapore, UK, U.A.E, and others. This helped the group to building up a brand image with the various overseas parties.

During the year 1992-93, the Raj Group was among the first private producers to be allotted airtime by the Doordarshan Metro Channel (Madras) by taking air time slots during the prime time slot from 8:00 pm to 8:30 pm, for three days a week by producing film and song based programmes which were very popular with the South Indian audience.

Raj Group’s next foray into Television broadcasting business was by launching its 24 hour Tamil channel viz. ‘Raj TV’ on 14 October 1994. The vast storehouse of film rights, which the Raj group built up over a period of time, is what sustained the channel in the initial years. Initially the channel was functioning with main revenues from airtime sales. With progress of time, as Raj TV’s viewership grew, the Channel built up significant capabilities in the content development area. The Channel grew from strength to strength, and today is positioned as the “People’s Channel”.

Our company launch 24 hours Tamil movie channel viz. “Raj Digital Plus” on 14 March 1998 as an Analog channel, which was subsequently converted into a digital channel in 1999. Raj TV, the flagship channel of the Company, was also subsequently converted into a digital channel in September 2000.

Currently we have about 13 production controllers on our rolls, and we develops a sizeable part of our content software library comprising of serials, shows and other programmes which have been developed in-house by the Channel.

RTNL, today, is an established Television Company in the Tamil broadcasting industry in South India. The Company’s two 24-hour channels, Raj TV and Raj Digital Plus (RDP), cater primarily to the entertainment requirements of the Tamil population in the area covered by the footprints of the channels. The broadcast of these two channels can be received in the whole of India,as well as parts of South East Asia, and the Middle East.

Key Events and Milestones

Year	Key Events, Milestones and achievements
1994	- Incorporation of our company 'Raj Television Networks Limited' on 3rd June 1994 in the State of Tamil Nadu. - Company's flagship channel 'Raj TV' was launched on 14th October 1994
1998	Second Channel 'Raj Digital Plus' was launched on 14th March 1998 in analog format
1999	Raj Digital Plus was converted into a digital channel and was amongst the first Indian channels to convert to the digital signal format.
2000	Raj TV, the flagship channel was also converted into Digital Channel
2001	Established its 5 Storied Studio Cum Corporate Office
2003	Entered into Transponder Service Agreement with Shin Satellite Public Company Limited to utilize their transponder on ThaiCom 3.
2004	Tie-up with SRLC in Srilanka for downloading RAJ TV and Raj Digital Plus in Srilanka.
2006	- Our serial "Geethanjali" completed 766 episodes. - Our company organized award event felicitating the actors of yesteryears. The event celebrated 75 years of tamil movie entertainment. The event was well received by the top actors of the south Indian movie industry.

Main Objects of the Company

The main objects of the Company as given in Memorandum of Association of the Company are reproduced below:

1. To carry on all types of business covered by "Satellite Television Network."
2. To buy, sell, import, export, produce, assign, purchase, distribute all programmes of satellite television.
3. To buy, sell, lease, sub-lease, import, export or otherwise deal in acquiring, leasing and time-sharing of satellite broadcast time/programmes.
4. To telecast, relay, uplink and exhibit films and software through satellite, earth stations, television stations, video parlours or any other relay station either within or outside India and either directly or on hire/lease basis.
5. To manufacture, produce, import, export, buy, sell, design, exhibit, put to use, distribute or otherwise deals in all kinds of cine films, video films, film magazines and any other related softwares.
6. To broadcast, relay audio programmes through any mode of communication including radio and audio tapes and for this purpose buy, sell, take on lease or hire any radio or audio relay stations or any other relay centre through or from the Government or other agencies either within outside India.
7. To buy, take on lease / sublease or hire, sell any satellite transponders, relay stations and related machineries and equipments either within or outside India and to act as agents or deal in any manner in and for the above.
8. To operate cable TV and do all such acts or things which are generally required by such cable TV operator.
9. To carry, design, establish, implement, develop, install, operate and provide all the services related to E-mail, Internet, Facsimile, Electronic Data Interchange, services, Direct to Home Satellite TV Services, Radio Broadcasting and Wireless Communication, Networking, Intra Net Services to establish, create, design, sell, lease or market Internet Web sites and Web pages and related product promotion, linking web services through satellite or otherwise, to transfer, develop or uplink any kind of software for commercial information, downloading and up-linking of data and information including Audio or Video images to broadcast any kind of Audio and Video programmes through any mode of communication or any kind of Electronic and/or Computer Medium or through any Network, usage of Integral Services Digital Networks, High Speed V-Sat Networks, on line services to provide for Enterprise Resource Planning, Data Warehouse, E-Commerce and related business tools, to provide Voice Mail related services, running Networks via inter connected LANs and WANs and/or through Intra Net applications, user interface services, services connected with Multimedia, to establish any kind of information Hubs and entertainment Kiosks to provide Mass Communication and Entertainment Services using any of the means as aforesaid and other allied services incidental or ancillary thereto.
10. To manufacture, produce, import, export, buy, sell, design, put to use, distribute or otherwise deal in all kinds of television sets, audio and video recorders, video and audio tapes, Video and radio relay equipments and machineries, cable TV relay systems, antennas, and all such things which are necessary, incidental and ancillary to the above items.
11. To carry on the business as Internet Service Providers, Network Telecommunication and Telephony Service providers and to conceptualise, design, develop and implement projects and data communication services and to establish, set up and provide such facilities connected thereto including establishment of Telecommunication Networks, Local Area Networks, Wide Area Networks and Telephony Networks to establish and provide services connected with Audio and Video conferencing facilities either directly or through any kind of Network whether in India or elsewhere and to provide any kind of Data Processing, Data Transfer, Data Conversions whether Audio, Video or otherwise including on site and off shore Telecommunications Services and consultancy services in relation thereto.

12. To carry on the business of Computer Software Development, Television Software and Programs, System Softwares, Application Softwares and to undertake and execute all kinds of Commercial, Financial and Trading operations, to provide Data Base Management Services, Compilation of Data Bases, Data Management, Integration of any kind of system, Transaction Processing, to provide services to the end users with respect to internal and its application softwares and to execute any kind of off shore Project Development and to provide services in connection thereto.
13. To entertain the public either in India or abroad in Music, Drama, Skills and Serial Sports events through Visual Media like Video Tapes, Cinema Films, Cable Television and Telecasts.
14. To carry on the business of Film Production, Film distribution and telecast of cinema films and video films and to import and export, purchase, sell or otherwise to trade or deal in raw films rolls, video tapes with copyrights, cinema Films with copyrights and Cameras of all kinds.
15. To assemble, manufacture, deal, trade, install, contract, export, import, computer hardware, software, system accessories, processors, peripherals, consumables, devices products, computer software solutions and to provide services to end users in relation thereto including development of system whether on hardware or software segments, customized or otherwise and to act as contractors for commissioning any projects on turnkey basis or to do deal in any other manner including storing, packing, transporting, converting, repairing, installing and maintenance of all kinds of computer hardwares, telecommunications equipments, antennas and other associated and allied equipments.

Changes in the Memorandum of Association of the Company

Since Incorporation of the Company, the following changes have been incorporated in the Memorandum of Association, after approval of the Members:

Sr.No	Particulars	Date of Meeting	Nature of Meeting
1.	Increase in Authorized Capital from 50,000 Equity Shares of Rs.10/- each to 20,00,000 Equity Shares of Rs.10/- each.	19 th January 1998	Extra Ordinary General Meeting
2	Increase in Authorized Capital from 20,00,000 Equity Shares of Rs.10/- each to 1,50,00,000 Equity Shares of Rs.10/- each.	31st March 2006	EGM
3	Changes in Object Clause	27 th July,2006	EGM

Subsidiaries of the Company

At present, the company does not have subsidiaries.

Shareholders' Agreement

Our Company has not entered into shareholders agreement.

Other Agreements

Except the contracts/agreements entered in the ordinary course of business ,our Company has not entered in to any other agreement/contract.

Strategic / Financial Partners:

At Present, our company does not have Strategic/ Financial Partners.

V. MANAGEMENT

The promoters of the Company, consisting of four brothers, Mr. M. Raajhendhran, Mr. M. Rajaratnam, Mr. M. Raveendran and Mr.M. Regunathan manage the day-to-day affairs of the Company. The Promoters have been in the media & entertainment business for over two decades. Over this period, they have developed excellent linkages with prominent players in the industry consisting of leading programme producers, directors, artists, advertisement agencies and corporate clients including multinational companies.

Mr. M. Raajhendhran, who is the Managing Director of the Company, heads a professional management team of the company. Under his leadership, the Company has emerged as a prominent player in the Tamil Broadcasting & Entertainment industry.

The following table sets forth details regarding our Board of Directors as at the date of filing this Red Herring Prospectus:

Name, Address, Occupation	Designation	Age	Other Directorships
Mr. M. Raajhendhran, No: 7 AV, 5 th Main Road, R A Puram, Chennai – 600 028 Occupation: Business	Managing Director Term – 5 years Date of Appointment: 30 th August 2006	56	Vissa Television Network Limited, Chennai
Mr. M. Rajaratnam, No:6A, Nawab Habibullah Avenue, 1 st Street, Chennai – 600 006 Occupation: Business	Whole-Time Director Term – 5 years Date of Appointment: 30 th August 2006	54	Vissa Television Network Limited, Chennai
Mr. M. Raveendran, No:6, 2 nd Street, Poes Road, Teynampet, Chennai – 600 018 Occupation: Business	Whole-Time Director Term – 5 years Date of Appointment: 30 th August 2006	47	Vissa Television Network Limited, Chennai
Mr. M. Regunathan, No: 5, Krishna Iyer Road, Nungambakkam, Chennai – 600 034	Whole-Time Director Term – 5 years Date of Appointment: 30 th August 2006	43	Vissa Television Network Limited, Chennai
Mr. R. Rajagopalan	Director	65	-
D.R. Kaarthikeyan	Director	67	Taj GVK Hotels Limited, Hyderabad. Star Health Insurance Limited, Chennai. Akruti Nirman Limited, Mumbai Vidi Vedika Heritage Pvt. Ltd.
Mr. A.Arjuna Pai	Director	70	
Dr. Mohan Kameswaran	Director	52	Madras ENT Research Foundation Pvt. Ltd Chennai

Brief Biography of our Directors

Mr. M. Raajhendhran

Mr. M Raajhendhran, aged 56 years, has been a Director of our company since inception and is responsible for its day-to-day management. He has been a major force behind the success of our channels.

He had a long and successful career in retail marketing. He started his career at an early age, by joining his father in the family business. The family set up Raj Video Vision in 1983, which started as a videocassette lending library, and selling consumer electronics items and audiotapes. With his keen sense of business, he realized that the future lay in acquiring video rights and selling Tamil films as pre-recorded video cassettes. This acquisition of film rights enabled him to create a large collection of software library, which has been a critical factor in the present day success of the Channel.

He is responsible for providing strategic direction to the Company and manages the financial affairs of the Company.

Mr. M. Rajaratnam

Mr. M Rajaratnam, aged 54 years, has a long career in retailing of products. He has, over the period of two decades, built up an extensive network of overseas clients through the sales of pre-recorded video cassettes, which are currently also being sold in other forms of media like Compact Disc (CD), Video CD (VCD), Digital Video Disc (DVD). Mr. Rajaratnam is Director (Content Acquisition) of RTNL. He also heads the Group's business venture, Raj Video Vision.

Mr. M. Raveendran

Mr. M. Raveendran, aged 47 years, joined the business in 1978. He has done his graduation in Commerce from the University of Madurai. In the initial stages of the Group's foray into the content development business, he was responsible for the production and supply of content to the Doordarshan Metro Channel. Over the years, he has built up excellent relationships with the various players in the Tamil entertainment industry including leading directors, producers, technicians, artistes etc.

He has traveled abroad extensively, and has equipped himself with the technical advancements in the entertainment field. He is the Director – Operations of our company and looks after all the technical aspects of the Broadcasting business as well as the production of entertainment software. He is also responsible for the programming, news and other operational aspects of the Channel.

Mr. M Regunathan

Mr. M. Regunathan, aged 43 years, joined the business in 1981. He has also had extensive retail selling experience in the video cassette distribution. He is now the Director in charge of Marketing with RTNL, coordinating the marketing efforts of both the Channels of the company. He is also responsible for developing and maintaining relationships with corporate clients and leading advertisement agencies. He has also been instrumental in sustaining the broadcasting business, and has contributed significantly towards the growth in revenues from advertisements.

Mr. R. Rajgopalan

Mr. R. Rajgopalan, aged 65 retired as the Director General of Police, Tamil Nadu after putting in 34 years of meritorious service. After his graduation he completed his masters both in Business Administration and Law. Mr. R. Rajgopalan began his career in Class I service with

the Indian Army in October 1963. In the year 1968 he joined the Indian Police Service. During his long and distinguished career with the police department, he had held senior positions such as Superintendent of Police CBI for four years (1976-1979), Deputy Inspector General, CBI during 1983 – 1988. He was the Commissioner of Police from 1991 – 1995 and the Director General of National Security Guard during 2001 – 2002. Mr. R. Rajgopalan has held four posts of DGP in Tamil Nadu and was awarded seven medals including President's Police Medal (1992) and the Indian Police Medal for Meritorious Service (1983) .

Mr. A. Arjuna Pai

Mr. A. Arjuna Pai, aged 70 is a fellow member of the Institute of the Chartered Accountants of India. He is a partner in M/s Menon & Pai, a firm of Chartered Accountants involved with audit, and corporate advisory services whose clientele is represented by reputed companies, firms & individuals. Mr. A. Arjuna Pai has vast experience in industry and administration.

Mr. D.R. Kaarthikeyan

Mr. D. R. Kaarthikeyan, aged 67, retired from active police service after holding positions such as Director CBI and Director General of National Human Rights Commission .He is a graduate in Science (Chemistry and Agriculture) and a bachelor of law. He began his career as a lawyer before he was selected for appointment in the Indian Police Service. In that capacity he held several positions including District Superintendent of Police of districts like Gulbarga, Dharwar, Belgaum, major districts of Karantaka State. He was also Director of Police, Academy, Mysore, Karnataka. He has been awarded President's Police Medal and the Indian Police Medal for Meritorious Service, Delhi Ratna by the All India Conference of Intellectuals, New Delhi, Humanitarian Award from Internal Yoga International, USA for outstanding achievement in service to Humanity. He is currently acting as Advisor on Law, Human Rights and Corporate Affairs.

Dr. Mohan Kameswaran

Dr. Mohan Kameswaran, aged 52 is consultant & Managing Director of Madras ENT Research Foundation. He graduated from Madras Medical College in 1976 and MS in 1981 from the Institute of Otorhinolatyngology, Chennai. He was conferred National Award 'Padma Shri' by Government of India for recognition of his distinguished and exceptional service in the field of medicine in 2006. He was also awarded Indo- Australian Award. He has written in more than 40 Publications in National and International Journals.

Details of Borrowing Powers

Pursuant to a resolution passed by our shareholders in their meeting held on 27th July 2006 and in accordance with the provision of the Companies Act, 1956, our Board is authorized to borrow such sums of money for the purpose of the Company on such terms and conditions, with or without security, as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed , at any time, a sum of Rs 200 Crores.

The Board was also authorized to do all such acts, deed and things, as may be required forgiving effect to the above resolution.

Terms of Compensation of Managing Director/ Whole time Directors

REMUNERATION OF MANAGING DIRECTOR

Mr. M. Raajhendran as Managing Director of the Company for a period of five (5) years commencing from 01st April 2006 and ending 31st March 2011, on the following terms and conditions:

- I) Salary :** Rs 48,00,000/- (Rupees forty eight lacs only) per annum, with a provision for increase in salary of not exceeding 12% per annum over the previous year. The exact percentage of increment to be given in each year shall be decided by the Board based on the performance of the Company.
- II) Perquisites & Allowances :** A sum not exceeding Rs 12,00,000/- (Rupees Twelve lacs only) per annum is detailed hereunder :-
- a) Accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, reimbursement of expenses or allowances for utilities such as gas, electricity, water and furnishings, repairs, servant/gardener salaries, leave travel concession for self & family and Membership fees for two clubs.
 - b) Reimbursement of medical expenses & leave travel allowance for self and family.
 - c) Use of Car with Chauffeur and Telephone at residence.
 - d) Company's contribution to provident fund, gratuity and pension fund not exceeding such percentage of the salary as per rules of the Company

Perquisites shall be evaluated at actual cost to the Company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per the Income Tax Rules.

The term "family" means spouse, the dependent children and dependent parents.

III) Bonus

If the consolidated Net Profit of the Company for the financial year 2006 – 07 is in excess of Rs. 48 Crores (minimum consolidated profit after the tax level fixed by the Board for that year), 1% (one percent) of such net profit over Rs 48 crores shall be paid as bonus for the financial year 2006 – 07.

In respect of bonus for the subsequent years, the minimum consolidated profit after tax level for payment of bonus shall be fixed annually by the Board. The percentage figure of 1% shall remain unchanged and the bonus amount payable for such years shall be arrived at in the manner explained in the preceding para.

IV) Other entitlements :

In addition to salary, perquisites & allowances and bonus stated above, Mr. M. Rajendran shall be entitled for the following :-

- a) Medical and accident insurance premium as per the rules of the Company.
- b) Leave in accordance with the leave rules of the Company from time to time in force.

REMUNERATION OF WHOLE TIME DIRECTOR

Mr. M. Rajaratnam

“Mr. M. Rajaratnam as Whole-time Director of the Company for a period of five (5) years commencing from 01st April 2006 and ending 31st March 2011, on the following terms and conditions:

- I) **Salary** : Rs 36,00,000/- (Rupees thirty six lacs only) per annum, with a provision for increase in salary of not exceeding 12% per annum over the previous year. The exact percentage of increment to be given in each year shall be decided by the Board based on the performance of the Company.
- II) **Perquisites & Allowances** : A sum not exceeding Rs 9,60,000/- (Rupees Nine Lakh sixty thousand only) per annum is detailed hereunder :-
 - a) Accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, reimbursement of expenses or allowances for utilities such as gas, electricity, water and furnishings, repairs, servant/gardener salaries, leave travel concession for self & family and Membership fees for two clubs.
 - b) Reimbursement of medical expenses & leave travel allowance for self and family.
 - c) Use of Car with Chauffeur and Telephone at residence.
 - d) Company's contribution to provident fund, gratuity and pension fund not exceeding such percentage of the salary as per rules of the Company

Perquisites shall be evaluated at actual cost to the Company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per the Income Tax Rules.

The term “family” means spouse, the dependent children and dependent parents.

III) Other entitlements :

In addition to salary, perquisites & allowances and bonus stated above, Mr. M. Rajaratnam shall be entitled for the following :-

- a) Medical and accident insurance premium as per the rules of the Company.
- b) Leave in accordance with the leave rules of the Company from time to time in force.

FURTHER THAT the aggregate of the remuneration payable to Mr. M. Rajaratnam as detailed in Sl Nos. (I) to (III) above shall be subject to overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956.

FURTHER THAT notwithstanding anything contained herein above, where, in any financial year during the tenure of his re-appointment, the Company has no profits or its profits are inadequate, he remuneration payable to Mr. M. Rajaratnam shall be governed by and be subject to the ceilings provided under Section II of Part II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

FURTHER THAT during the tenure of his re-appointment, Mr. M. Rajaratnam, Whole-time Director shall perform all such duties as are entrusted to him from time to time by the Board of Directors and as may be required to be performed by him from time to time, subject to the supervision and control of the Board of Directors”.

Mr. M. Raveendran

Mr. M. Raveendran as Whole-time Director of the Company for a period of five (5) years commencing from 01st April 2006 and ending 31st March 2011, on the following terms and conditions:

- I) Salary :** Rs 36,00,000/- (Rupees thirty six lacs only) per annum, with a provision for increase in salary of not exceeding 12% per annum over the previous year. The exact percentage of increment to be given in each year shall be decided by the Board based on the performance of the Company.
- II) Perquisites & Allowances :** A sum not exceeding Rs 9,60,000/- (Rupees Nine Lakh sixty thousand only) per annum is detailed hereunder :-
- e) Accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, reimbursement of expenses or allowances for utilities such as gas, electricity, water and furnishings, repairs, servant/gardener salaries, leave travel concession for self & family and Membership fees for two clubs.
 - f) Reimbursement of medical expenses & leave travel allowance for self and family.
 - g) Use of Car with Chauffeur and Telephone at residence.
 - h) Company's contribution to provident fund, gratuity and pension fund not exceeding such percentage of the salary as per rules of the Company

Perquisites shall be evaluated at actual cost to the Company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per the Income Tax Rules.

The term "family" means spouse, the dependent children and dependent parents.

III) Other entitlements :

In addition to salary, perquisites & allowances and bonus stated above, Mr. M. Raveendran shall be entitled for the following :-

- a) Medical and accident insurance premium as per the rules of the Company.
- b) Leave in accordance with the leave rules of the Company from time to time in force.

FURTHER THAT the aggregate of the remuneration payable to Mr. M. Raveendran as detailed in Sl Nos. (I) to (III) above shall be subject to overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956.

FURTHER THAT notwithstanding anything contained herein above, where, in any financial year during the tenure of his re-appointment, the Company has no profits or its profits are inadequate, he remuneration payable to Mr. M. Raveendran shall be governed by and be subject to the ceilings provided under Section II of Part II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

FURTHER THAT during the tenure of his re-appointment, Mr. M. Rajaratnam, Whole-time Director shall perform all such duties as are entrusted to him from time to time by the Board of Directors and as may be required to be performed by him from time to time, subject to the supervision and control of the Board of Directors".

M. Regunathan

Mr. M. Regunathan as Whole-time Director of the Company for a period of five (5) years commencing from 01st April 2006 and ending 31st March 2011, on the following terms and conditions:

- I) Salary :** Rs 36,00,000/- (Rupees thirty six lacs only) per annum, with a provision for increase in salary of not exceeding 12% per annum over the previous year. The exact percentage of increment to be given in each year shall be decided by the Board based on the performance of the Company.
- II) Perquisites & Allowances :** A sum not exceeding Rs 9,60,000/- (Rupees Nine Lakh sixty thousand only) per annum is detailed hereunder :-
- i) Accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, reimbursement of expenses or allowances for utilities such as gas, electricity, water and furnishings, repairs, servant/gardener salaries, leave travel concession for self & family and Membership fees for two clubs.
 - j) Reimbursement of medical expenses & leave travel allowance for self and family.
 - k) Use of Car with Chauffeur and Telephone at residence.
 - l) Company's contribution to provident fund, gratuity and pension fund not exceeding such percentage of the salary as per rules of the Company

Perquisites shall be evaluated at actual cost to the Company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per the Income Tax Rules.

The term "family" means spouse, the dependent children and dependent parents.

III) Other entitlements :

In addition to salary, perquisites & allowances and bonus stated above, Mr. M. Regunathan shall be entitled for the following :-

- a) Medical and accident insurance premium as per the rules of the Company.
- b) Leave in accordance with the leave rules of the Company from time to time in force.

FURTHER THAT the aggregate of the remuneration payable to Mr. M. Regunathan as detailed in Sl Nos. (I) to (III) above shall be subject to overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956.

FURTHER THAT notwithstanding anything contained herein above, where, in any financial year during the tenure of his re-appointment, the Company has no profits or its profits are inadequate, he remuneration payable to Mr. M. Regunathan shall be governed by and be subject to the ceilings provided under Section II of Part II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

FURTHER THAT during the tenure of his re-appointment, Mr. M. Regunathan, Whole-time Director shall perform all such duties as are entrusted to him from time to time by the Board of Directors and as may be required to be performed by him from time to time, subject to the supervision and control of the Board of Directors".

Corporate Governance

The Guidelines issued by SEBI in respect of the Corporate Governance shall be applicable to the Company immediately on listing of its equity shares on the Stock Exchanges. On our part, we stand committed to good corporate governance practices like transparency, disclosure and independent supervision to increase the value of our stakeholders. Accordingly, we have already undertaken steps to comply with the SEBI guidelines on Corporate Governance. The Corporate Governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and the constitution of the Board Committees. Committees of the Board have been constituted in order to look into the matters in respect of compensation, shareholding, audit etc., details of which are as follows:

Committees of the Board

Our Company has the following committees formed out of the members of the Board. These committees were constituted at the Board Meeting held on 7th August 2006.

Audit Committee

The terms of the Audit Committee comply with the requirements of Clause 49 of the Listing agreement to be entered into with the Stock Exchange. The Audit Committee consists of two independent directors and one executive director

The members of the Audit Committee are:

Name of the Members	Designation	Nature of Directorship
Mr. A. Arjuna Pai	Chairman	Independent & Non Executive Director
Dr. R Rajagopalan	Member	Independent & Non Executive Director
Mr. M . Raveendran	Member	Whole Time Director

The scope and functions of the Audit Committee are as per Section 292A of the Companies Act. Its main function is to provide the Board of Directors of the Company with additional assurance as to reliability of financial information and statutory financial statements and as to the adequacy of internal accounting and control systems. It acts as a link between the management, statutory auditors and the Board of Directors. The scope of Audit Committee shall include, but shall not be restricted, to the following:

1. It shall have authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and may also seek external professional advice, if necessary.
2. To investigate any activity within its terms of reference.
3. Oversight of the Company's financial reporting process and the disclosure of its financial
4. Information to ensure that the financial statement is correct, sufficient and credible.
5. Reviewing with management the annual financial statements.
6. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.

7. Reviewing the adequacy of internal audit function, 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.
8. It shall have discussion with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.
9. To seek information from any employee.
10. To obtain outside legal or other professional advice.
11. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Remuneration Committee

The Committee currently comprises of

Name of the Directors	Designation	Nature of Directorship
Dr. R Rajagopalan	Chairman	Independent & Non Executive Director
Mr. A. Arjuna Pai	Member	Independent & Non Executive Director
Dr.Mohan Kameshwaran	Member	Independent & Non Executive Director

Shareholders / Investor Grievance Committee

As part of its Corporate Governance initiative, the Company constituted the Shareholders/Investors Grievance Committee to specifically look into matters relating to shareholders grievance such as approval of transfer / transmission / demat / remat of shares, issue of duplicate, split-up, consolidation, renewal of share certificate, non-receipt of Annual Report, non- receipt of declared dividends and such other issues.

The Committee comprises of the following persons:

Name of the Members	Designation	Nature of Directorship
Mr. D.R. Kaarthikeyan	Chairman	Independent & Non Executive Director
Mr. M Raajhendran	Member	Managing Director
Mr. M. Raveendran	Member	Whole Time Director

Shareholding of Directors

The Articles of Association of the Company do not require the Directors to hold any equity shares in the Company as qualification shares. The following table sets out the shareholding of the Directors who hold shares , as on the date of this Red Herring Prospectus.

Name of the Directors	No. of Shares held
Mr. M. Raajhendhran	16,68,156
Mr. M. Rajaratnam	16,68,156
Mr. M. Raveendran	16,68,156
Mr. M Regunathan	16,68,156

Interest of Directors

Except as stated under the caption "Related Party Transactions" under "Financial Information – Auditors Report" of this Red Herring Prospectus, and to the extent of shareholding in the Company, the Directors do not have any other interest in business of the Company. Except to the extent of their compensation as mentioned under the heading "Compensation of Managing Director/Whole time Director" of this Red Herring Prospectus, and their shareholding or shareholding of companies they represent, the Directors, do not have any other interest in the Company.

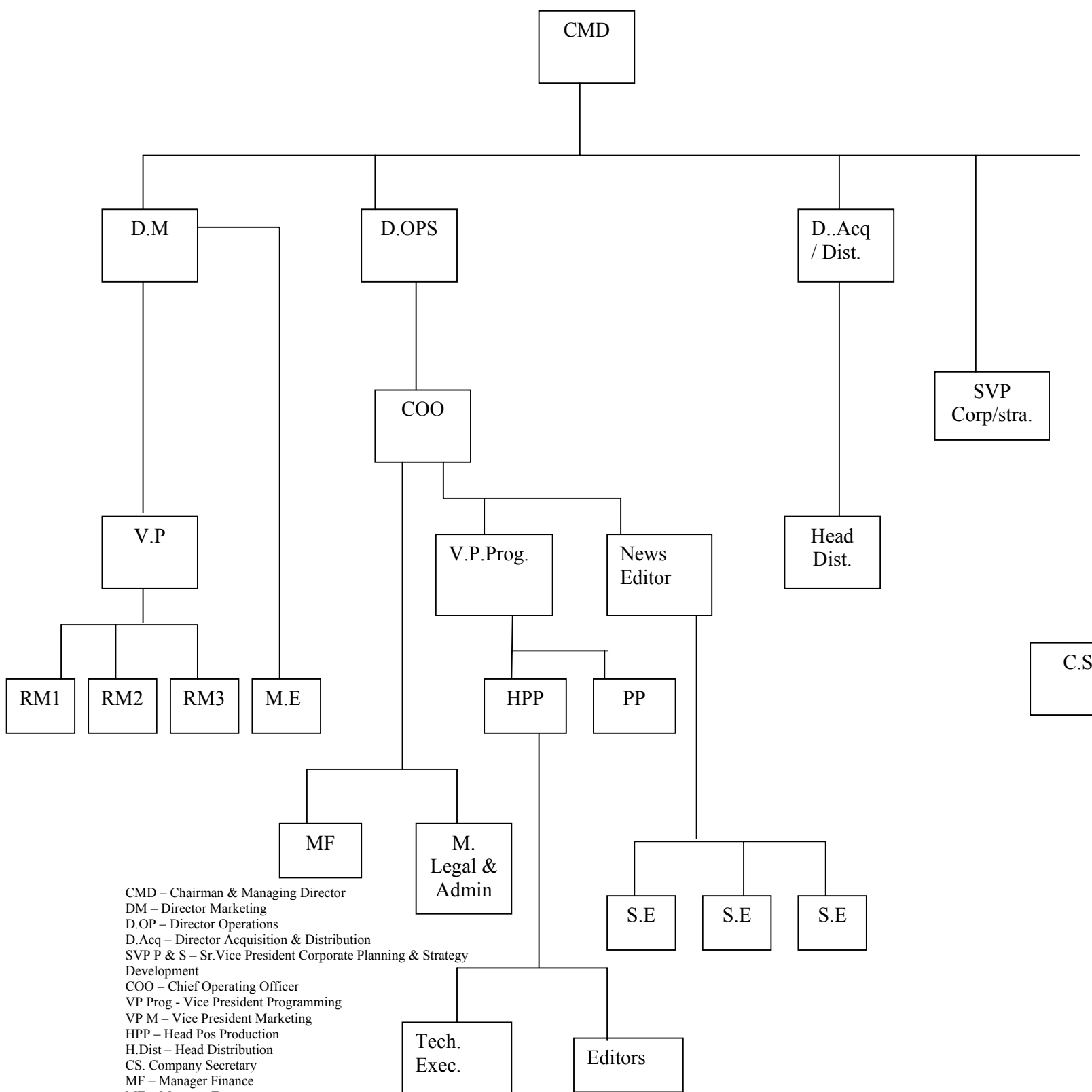
All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Except as stated otherwise, in this Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of this Red Herring Prospectus in which the Directors 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.

Changes in the Board of Directors in the last 3 years.

Name	Date of Cessation/ Appointment	Reason of Change
Mrs.Amudha Raajhendhran	7 th August 2006	Resigned from the Board.
Mrs.Arunadevi Rajaratinam	7 th August 2006	Resigned from the Board.
Mrs.Vijayalakshmi Raveendran	7 th August 2006	Resigned from the Board.
Mrs.Usharani Reghunathan	7 th August 2006	Resigned from the Board
Mr. R. Rajagopalan	14 th October 2006	Appointed as Additional Director
D.R. Kaarthikeyan	14 th October 2006	Appointed as Additional Director
Mr. A. Arjuna Pai	14 th October 2006	Appointed as Additional Director
Dr. Mohan Kameswaran	14 th October 2006	Appointed as Additional Director

MANAGEMENT ORGANIZATION STRUCTURE



CMD – Chairman & Managing Director
 DM – Director Marketing
 D.OP – Director Operations
 D.Acq – Director Acquisition & Distribution
 SVP P & S – Sr.Vice President Corporate Planning & Strategy Development
 COO – Chief Operating Officer
 VP Prog - Vice President Programming
 VP M – Vice President Marketing
 HPP – Head Pos Production
 H.Dist – Head Distribution
 CS. Company Secretary
 MF – Manager Finance
 ME – Manager Events
 RM – Regional Manager
 HPP – Head Post production & Technical
 SE – Sub Editors
 Tech.Exe- Technical Executives

Key Management Personnel:

At present, the Company has a total strength of 215 employees who are the permanent employees of the Company. The Company enjoys cordial relationship with its employees and currently has no major labour related issue.

The details of key managerial personnel of the Company are as follows:

Mr. B.Sathya Prakash

Mr.B.Sathya Prakash, Senior Vice President – Corporate Planning & Strategy, aged 30 years, is a graduate in computer science from Bharathiar University, Tamil Nadu. He has around 10 years experience in media related marketing, implementation of ERP solutions and project management Prior to joining the company he has worked as Business Head & Sr. Vice President of a large media house and was responsible for devising the group's marketing and operational strategy .

Mr. Raju Easwaran

Mr. Raju Easwaran, Chief Operating Officer, aged 45 years is a graduate in English Literature from the University of Madras. He has over 20 years experience in the film industry, having worked as associate / assistant directors with well known film directors both in the Tamil & Hindi film industry. He has directed several popular TV serials such as 'Rekkai Kattiya Manasu 'and the legendary Mr. K. Balachander's 'Minbimbangal'. He is the Vice President of South Indian Films & TV Directors' Association.

Mr. T D Mohan

Mr. T D Mohan, Vice President (Programming), aged 33 years, graduated with a Bachelor's degree in Engineering in Electronics & Tele-Communication from the College of Engineering, Osmanabad.

Mr. Subramanian Iyer

Mr. Subramanian Iyer, Vice President (Marketing), aged 42 years, is a graduate in Commerce from the University of Madurai. He also holds a diploma in Advertising & Public Relations from K C College of Management Studies. He has over 15 years experience in the media & entertainment industry. He is responsible for channel marketing which account for approximately 60% of the gross revenue of the company. In the past he has held positions such as Sr.Vice President – Sales, in Sri Adhikari Brothers and National Sales Head of ETC Network Ltd.

Mr. U S Mani

Mr. U S Mani, Head Distribution, aged 39 years, holds a diploma in Milling from Small Industries Service Institute. He is responsible for channel distribution across the country and in maintaining a large motivated team of MSO & Cable Operators.

Mr. R Muralidharan

Mr. R Muralidharan , Manager (Finance) aged 58 years , holds a bachelors degree in mathematics and has passed the Intermediate Examination of the Institute of Chartered Accountants of India. He heads the finance & accounts functions of the company. Mr. Muralidharan has over 25 years work experience in the Finance & Accounts functions in various companies.

Mr. S Suresh

Mr. S. Suresh, Manager (Legal & Administration) aged 43 years, holds a bachelor's degree in General Law and a post graduate diploma in Business Administration. He is responsible for legal and administration functions of the company. Mr. S. Suresh has over 21 years experience.

Mr. P Kalaiselvan

Mr. P Kalaiselvan, aged 53 years is the News Editor of the channel. Mr. Kalaiselvan is a graduate from the Madras University. During his long association with the media industry, Mr. Kalaiselvan has worked in similar capacity with other prominent TV channels

Mr. Alexis Rajan

Mr. Alexis Rajan, Manager (Events) aged 36 years is law graduate from the Madras University. Mr. Rajan is responsible for channel promotion through organizing mega event that cater to public preferences. He has extensive experience in organizing stage events such as musical shows, Star Nites and fashion shows and is excellently networked within the film and media industry.

Shareholding of Key Managerial Personnel

The Company has not issued any shares to the Key Managerial Personnel until date.

Bonus or profit sharing plan for the Key Managerial Personnel

There is no fixed or certain bonus or profit sharing plan for the Key Managerial Personnel. However, sometimes, the Company makes ex-gratia payment to its employees based on their performance.

Change in Key Managerial Personnel during last three years.

Other than the following, there has been no change in the Key Managerial Personnel of the Company during the last one year:

Sr. No.	Name	Designation	Date of Appointment	Date of Resignation
1	M.Miller	V.P Programming	04.07.2002	30.03.2003
2	V.Chandrasekar	V.P Programming	01.04.2005	30.06.2005
3	N.Sathya Moorthy	Chief Editor	23.03.1999	20.08.2005
4	Rajeev Nambiar	CEO	11.01.1996	28.02.2006
5	R.Radhakrishnan	V.P. Marketing	15.12.1999	30.01.2006
6	B.Shankar	V.P. Marketing	22.01.2005	30.06.2006
7	B Pushparaj	Company Secretary	24.07.2006	9.10.2006

Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

The Company has not introduced any Employees Stock Option Scheme / Employees Stock Purchase Scheme.

Payment or Benefit to Officers of the Company

Except the payment of salaries and perquisites in the normal course of business, the Company makes ex-gratia payments to its officers as and when it deems fit.

VI. PROMOTERS (

	Mr. M. Raajhendhran Mr. M. Raajhendhran, aged 56 years, is the Managing Director of the Company. He has over two decades of experience in the media and entertainment business over which period he has developed strong relations with prominent players and opinion makers in the industry. He is responsible for providing strategic direction to the Company and manages the day-to-day activities of the Company. Voter ID No: TN/02/010/0285317 PAN : AAFPR 1706H Passport No: F5134672
	Mr. M. Rajaratnam Mr. M. Rajaratnam, aged 54 years, has a long career in retailing media contents. Over his long career spanning over two decades, he has built up an extensive network of overseas clients. He is Whole Time Director (Content Acquisition) and has been a Director of the company since its inception. Voter ID No: CJJ2039063 PAN : AAFPR4624L
	Mr. M. Raveendran Mr. M. Raveendran, aged 47 years, is Whole Time Director (Operations) of the company. He looks after all the technical aspects of the company's broadcasting business as well as the production of entertainment software. He is also responsible for the programming, news and other operational aspects of the Channel. He has traveled abroad extensively, and has equipped himself with the technical advancements in the entertainment field. Voter ID No: CJJ2179836 PAN : AAFPR4625M
	Mr. M. Regunathan Mr. M. Regunathan aged 43 years, is the Whole Time Director (Marketing) of the company and coordinating the marketing efforts of both the Channels of the company. PAN : AAFPR4623P Passport No: A4434969

Declaration

We confirm that the details in respect of all the individual Promoters such as the Permanent Account Number, Bank Account Numbers and the Passport Number have been submitted to the BSE and NSE at the time of filing the Draft Red Herring Prospectus with them.

Common Pursuits

There are no common pursuits in the business of the Company and other Company promoted by the Promoters except otherwise mentioned in the Draft Red Herring Prospectus.

Interest of Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, their friends, relatives, and benefit arriving from their holding directorship in the Company.

The Promoters are not interested in any property acquired by the Company within two preceding years from the date of the Draft Red Herring Prospectus, except as stated under the section on property on page [•].

Other than the remuneration and perquisite to the Promoter appearing on page [•] of this Red Herring Prospectus, there are no payment or benefit to the Promoters of the Company.

The Promoters are not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances.

Except as disclosed above and Related Party Transaction on Page [•], the Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits, if any.

Currency of Presentation

In the Red Herring Prospectus, all references to "Rupees", "INR", "Rs." And "Indian Rupees" are to the legal currency of the Republic of India.

Dividend Policy

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. The Board of Directors has declared interim dividend @ 5% On 7th August 2006 for the year 2006-07.

E. FINANCIAL INFORMATION

I. FINANCIAL INFORMATION OF THE COMPANY

To

The Board of Directors

Raj Television Network Limited,
No.32, Poes Road,
Second Street,
Teynampet,
Chennai – 600 018

Dear Sirs,

We have examined the Financial Information of Raj Television Networks Limited annexed to this report and initialed by us for identification purposes, which have been prepared in accordance with the requirements of:

- a. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and related clarification issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 as amended by circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992;
- c. The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Company in connection with its proposed Initial Public Offer ('IPO'); and
- d. The Guidance Note on Reports in Company Prospectus and Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India ('ICAI').

The Company proposes to make an IPO for a fresh issue of 22,70,700 equity shares having a face value of Rs. 10 per equity share and offer for sale of 12,97,550 equity shares having a face value of Rs. 10 per equity share at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building scheme (referred to as 'the issue').

Financial information as per Audited financial statements of Raj Television Networks Limited

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at June 30, 2006, March 31, 2006, March 31 2005, March 31, 2004, March 31, 2003 and March 31, 2002 and the attached restated summary statement of profits and losses for each of the period/years ended on those dates ('Restated Summary Statements') (see Annexure I and II) as prepared by the Company and approved by the Board of Directors. The restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and as more fully described in the notes to the restated financial statements appearing in Annexure IV to this report. We have audited the financial

statements of the Company for the years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and 2006 and for the three month period ended June 30, 2006.

Based on our examination of the Restated Summary Statements, we confirm that:

- ♦ The impact arising on account of changes in accounting policies adopted by the Company as at and for the three month period ended June 30, 2006 have been adjusted with retrospective effect in the attached Restated Summary Statements;
- ♦ The prior period items have been adjusted in the Restated Summary Statements in the years to which they relate;
- ♦ The extraordinary items have been disclosed separately in the Restated Summary Statements; and
- ♦ There are no qualifications in the auditors' reports, which require any adjustments to the Restated Summary Statements

2. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements for the three month period ended June 30, 2006 are enclosed as part of Annexure IV to this report.

Other financial information

3. We have examined the following other financial information of the Company for each of the years /periods presented which are proposed to be included in the Offer Documents as approved by you and annexed to this report:

DETAILS OF OTHER FINANCIAL INFORMATION EXAMINED ANNEXURE REFERENCE

No.	Particulars	Annexure reference
1.	Summary statement of Cash flows, as restated	Annexure v
2.	Balance Sheet as on 30.06.2006	Annexure VI
3.	Profit and Loss Account for the period ended 30.06.206	Annexure VII
4.	Details of other income	Annexure VIII
5.	Capitalisation statement as at June 30, 2006	Annexure IX
6.	Details of Loans	Annexure X
7.	Accounting ratios based on the restated profits relating to earnings per share, net asset value per share and return on net worth	Annexure XI
8.	Details of Promoter group for the years ended March 31, 2004, 2005, 2006 and for the three-month period ended June 30, 2006.	Annexure XII
9.	Details of transactions with Promoter group and details of outstanding balances	Annexure XIII
10.	Statement of tax shelters	Annexure XIV

We have been informed that the Company has not declared any dividend on equity shares for the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002.

The 'financial information as per audited financial statements', 'other financial information' of Raj Television Networks Limited have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

The sufficiency of the procedures performed, as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

This report should not be in any way construed as a re issuance or redating of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For Pratapkaran Paul & Co.,
Chartered Accountants**

**Pratapkaran Paul
Partner
Membership No.: 23810**

**Chennai
5th September 2006**

RAJ TELEVISION NETWORK LIMITED							
ANNEXURE I : SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED							
(All amounts are in Indian Rupee, unless otherwise stated)							
No.	PARTICULARS	As at 30.06.06	As at 31.03.06	As at 31.03.05	As at 31.03.04	As at 31.03.03	As at 31.03.02
A.	FIXED ASSETS						
	Gross Block	403,262,395	402,992,641	361,616,806	340,641,906	267,453,673	243,166,267
	Less : Accumulated Depreciation	85,641,681	81,242,357	65,454,291	48,903,446	33,989,834	21,763,383
	Net Block	317,620,714	321,750,284	296,162,515	291,738,460	233,463,839	221,402,884
	Capital Work in Progress	-	-	-	-	3,603,062	-
	Total	317,620,714	321,750,284	296,162,515	291,738,460	237,066,901	221,402,884
B.	CURRENT ASSETS, LOANS AND ADVANCES						
	Loans and Advances	57,108,652	56,331,988	90,250,050	83,825,264	29,416,650	13,835,269
	Cash and Bank Balances	70,738,165	54,452,061	54,401,555	49,209,894	19,845,292	25,577,082
	Sundry Debtors	112,744,417	90,623,826	75,117,217	98,903,650	120,560,683	109,443,759
	Inventory	-	-	-	436,635	1,437,091	-
	TOTAL	240,591,234	201,407,875	219,768,822	232,375,443	171,259,716	148,856,110
C.	LIABILITIES AND PROVISIONS						
	Secured loans	58,761,128	63,882,709	94,750,568	135,127,573	89,291,680	124,206,710
	Current liabilities and Provisions	81,935,099	70,423,888	68,628,275	73,175,694	48,298,932	31,984,450
	Deffered tax Liability	44,432,047	44,537,150	43,845,646	36,879,276	28,474,278	18,021,248
	TOTAL	185,128,274	178,843,747	207,224,489	245,182,543	166,064,890	174,212,408
D.	NETWORTH (A+B-C)	373,083,674	344,314,412	308,706,848	278,931,360	242,261,727	196,046,586
	REPRESENTED BY-						
E.	SHARE CAPITAL	17,841,070	17,841,070	17,841,070	17,841,070	17,841,070	17,841,070
F.	RESERVES AND SURPLUS						
	Accumulated Profit	355,242,604	326,473,341	290,865,775	261,090,289	224,420,656	178,205,515
G.	NETWORTH (E+F)	373,083,674	344,314,411	308,706,845	278,931,359	242,261,726	196,046,585
Note : The above summary statement of Assets and Liabilities is to be read with Notes to Restated Financial Statement and significant Accounting Policies as appearing in Annexure IV-A and Annexure IV-B respectively.							

As per our report of even date
For Pratapkaran paul & Co.,
Chartered Accountants

For and on behalf of the Board of Directors

Pratapkaran Paul
Partner
Membership No.: 23810

M.Raajhendhran
Managing Director

M.Ravindran
Director.

Chennai
5th September 2006.

RAJ TELEVISION NETWORK LIMITED							
ANNEXURE II : SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED							
(All amounts are in Indian Rupee, unless otherwise stated)							
No.	PARTICULARS	Period ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
		30.06.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
A.	INCOME						
	Revenue	92,876,767	337,899,736	312,836,671	368,464,537	303,978,818	258,720,877
	Less : Service Tax	2,768,368	22,816,490	20,382,035	17,662,877	12,587,092	4,458,497
	Net Income	90,108,399	315,083,246	292,454,636	350,801,660	291,391,726	254,262,380
	Other Income	472,985	4,014,355	3,987,595	3,352,839	7,323,875	8,354,160
	Extra Ordinary Income	-	500,000	-	-	-	-
	TOTAL INCOME	90,581,384	319,597,601	296,442,231	354,154,499	298,715,601	262,616,540
B.	EXPENDITURE						
	Operational Expenses	19,691,401	135,720,670	137,745,388	199,319,665	138,060,380	99,856,299
	Administration and Selling Expenses	12,279,058	66,635,063	53,923,486	44,012,699	36,592,688	35,523,594
	Establishment Expenses	8,635,547	32,649,750	30,280,654	31,173,478	29,623,923	23,521,824
	Financial Expenses	1,794,436	10,680,821	8,653,705	9,041,112	10,785,403	19,274,107
	Depreciation / Amortisation	4,399,324	17,305,333	39,710,216	41,207,071	39,510,080	37,119,901
	TOTAL EXPENDITURE	46,799,766	262,991,637	270,313,449	324,754,025	254,572,474	215,295,725
C.	PROFIT BEFORE TAX	43,781,618	56,605,964	26,128,782	29,400,474	44,143,127	47,320,815
	Provision for Taxation						
	- Current	14,841,994	18,645,643	9,836,969	9,635,102	16,222,599	17,157,572
	- Deferred	(105,102)	691,504	-	-	-	-
	- Fringe Benefit Taxation	275,463	1,661,252	-	-	-	-
D.	NET PROFIT AFTER TAX	28,769,263	35,607,565	16,291,813	19,765,372	27,920,528	30,163,243
E.	ADJUSTMENT ON ACCOUNT OF CHANGE IN ACCOUNTING POLICY -						
	Depreciation	-	-	(22,120,904)	(26,293,459)	(27,283,629)	(25,405,167)
	Deferred Tax	-	-	6,568,341	9,299,483	8,828,820	8,192,249
	Total	-	-	(15,552,563)	(16,993,976)	(18,454,809)	(17,212,918)
F.	OTHER ADJUSTMENTS						
	Production Expenses	-	-	1,965,187	-	-	-
	Provision for Gratuity	-	-	83,594	77,996	119,306	73,739
	Wealth tax	-	-	20,109	11,719	40,890	-
	Total other adjustments	-	-	2,068,890	89,715	160,196	73,739
G.	NET PROFIT, AS RESTATED (D-E-F)	28,769,263	35,607,565	29,775,486	36,669,633	46,215,141	47,302,422
	Profit at the beginning of the period	326,473,341	290,865,775	261,090,289	224,420,656	178,205,515	130,903,093
	Balance Carried Forward, as restated	355,242,604	326,473,341	290,865,775	261,090,289	224,420,656	178,205,515

Note :

1. The above summary statement of Profits and Losses is to be read with Notes to Restated Financial Statement and significant Accounting Policies as appearing in Annexure IV-A and Annexure IV-B respectively.
2. The reconciliation between the audited and restated accumulated Profit and Loss balance as at 1st April 2002 is given in Annexure III.

As per our report of even date
For Pratapkar Paul & Co.,
Chartered Accountants

For and on behalf of the Board of Directors

Pratapkar Paul
Partner
Membership No.: 23810

M.Raajhendhran M.Ravindran
Managing Director Director.

Chennai
5th September 2006.

RAJ TELEVISION NETWORK LIMITED

ANNEXURE III : STATEMENT OF PROFIT AND LOSS ACCOUNT AS AT 1st APRIL 2001 , AS RESTATED	
Particulars	Amount (Rs.)
Profit and Loss Account as at April 1, 2001 (Audited)	112,903,777
Add : Depreciation written back	29,235,748
	142,139,525
Less : Deferred Tax Provision	9,840,753
Provision for Gratuity	1,395,679
Profit and Loss Account as at April 1, 2001 (Restated)	130,903,093

ANNEXURE IV-A : NOTES ON ADJUSTMENTS FOR RESTATED FINANCIAL STATEMENTS

A. CHANGES IN ACCOUNTING POLICIES

1. Deferred Tax

The Company adopted Accounting Standard 22, Accounting for taxes on Income ('AS-22') issued by the ICAI for the first time in preparing the financial statements for the year ended March 31, 2006. For the purpose of this report, AS-22 has been applied retrospectively from the year ended 31st March 2002. Accordingly, a deferred tax asset/liability has been recorded in the respective years of origination, as an adjustment on account of changes in the accounting policy.

2. Depreciation

During the year 2005-06, the company has changed the method of computation of depreciation from Income Tax rate of depreciation to Straight Line method at the rate specified in Schedule XIV of the Companies Act, 1956, as the change would result in a more appropriate preparation or presentation of the financial statements. Accordingly depreciation is recalculated in accordance with the new method from the date of the asset coming into use. For the purpose of this report, excess depreciation has been adjusted as an adjustment on account of change in the accounting policy.

B. OTHER MATERIAL ADJUSTMENTS

1. Disclosure of Income

For the purpose of restated summary statement, 'Revenue' has been shown net of Service Tax.

2. Short / Excess provision for Income Tax

Provision for current taxes which included taxes relating to earlier years has been restated in the respective year to which it relates.

3. Production Expenses

During the financial year ended March 31, 2006 the Company had expensed an amount of Rs 19.65 Lakhs being production expenses in respect of earlier year. For the purpose of restated summary statement of profits and losses, the Production expense has been adjusted in the restated financial statements of the respective years to which it relates.

4. Provision for Gratuity

The Company adopted Accounting Standard 15, Accounting for Retirement Benefits ('AS-15') issued by the ICAI for the first time in preparing the financial statements for the year ended March 31, 2006. For the purpose of the restated summary statement of assets and liabilities (as restated) the Company has been applied retrospectively from the year ended 31st march 2002.

5. Wealth Tax

During the financial year ended March 31, 2006, the Company had made a provision for Wealth Tax to the tune of Rs. 1,30,077 in respect of Wealth of Previous Years. For the purpose of restated summary statement of profits and losses, the administrative expense has been adjusted in the financial statements of the respective years to which it relates.

C. MATERIAL REGROUPING

1. Presentation of Bank Current Account

During the year 2003-04, Bank Current accounts was grouped under the Balance Sheet caption 'Secured Loans'. For the purpose of the summary statement of assets and liabilities (as restated), the Company has reclassified the Bank Current Account under the caption "Cash and Bank Balance".

2. Presentation of Provision for Taxation

The Company had provided Shorter / Excess Provision for depreciation during the previous years. And the same was rectified during the year 2005-06. For the purpose of the restatement of financial statements, the provision for taxation has reclassified during the year in which it relates.

3. Presentation of Telecine Income

Upto the Financial year 2004-05, Telecine Income was grouped under the caption 'Other Income'. During the year 2005-06, the same has been grouped under the caption 'Revenue' as it is main business of the Company. For the purpose of the restatement of financial statements, Telecine Income has reclassified under the caption "Revenue".

4. Presentation of Export Income

During the Financial Year 2001-02 and 2002-03, Export Income was grouped under the Profit & Loss caption 'other Income'. For the purpose of the summary statement of assets and liabilities (as restated), the Company has reclassified the Export income under the caption "Revenue".

5. Schedule of Sundry Debtors

Particulars	30.06.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Unsecured and Considered Good						
Less than six months	105,862,173	79,225,911	56,634,793	69,584,707	78,060,645	69,175,467
More than six months	6,882,244	11,397,915	18,482,424	29,318,943	42,500,038	40,268,292
Total	112,744,417	90,623,826	75,117,217	98,903,650	120,560,683	109,443,759

6. Schedule of Loans and advances

Particulars	30.06.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Unsecured and Considered Good						
Advance Recoverable in Cash or Kind or Value to be received	55,499,507	54,765,158	88,683,220	82,337,434	27,946,173	12,975,690
Deposits	1,609,145	1,566,830	1,566,830	1,487,830	1,470,477	859,579
Total	57,108,652	56,331,988	90,250,050	83,825,264	29,416,650	13,835,269

7. Schedule of Current Liabilities & Provisions

Particulars	30.06.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Creditors - Advance	22,592,264	22,535,264	24,539,783	24,968,600	22,500,000	22,500,000
Creditors - Capital items	229,843	509,843	-	13,621,506	-	410,000
Creditors - Expenses	59,062,992	47,328,781	44,038,492	32,527,115	24,172,878	4,693,249
Creditors - Others	50,000	50,000	50,000	2,058,473	1,626,054	4,381,201
Total	81,935,099	70,423,888	68,628,275	73,175,694	48,298,932	31,984,450

8.

Schedule of Deferred Tax Liability						
Particulars	30.06.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return.	44,432,047	44,537,150	43,845,646	36,879,276	28,474,278	18,021,248
Total		44,537,150	43,845,646	36,879,276	28,474,278	18,021,248

9.

Schedule of Capital commitments and contingent liabilities						
Particulars	30.06.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Bank Guarantee given for differential amount of Customs duty in respect of machinery imported under EPCG scheme.	7,733,300	7,733,300	13,509,240	13,509,240	-	-
Contingent Liability on account of Pay channel Deposit	10,872,508	9,185,617	25,415,300	36,500,000	-	-
Total	18,605,808	16,918,917	38,924,540	50,009,240	-	

ANNEXURE IV-B : SIGNIFICANT ACCOUNTING POLICIES FOR RESTATED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of Financial Statements

The Financial Statements of Raj Television Network Limited ('Raj TV') have been prepared on a historical cost basis in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India as referred to in section 211(3C) of the Companies Act, 1956 (the Act). All items of income and expenditure having a material bearing on the financial statements have been recognized on the accrual basis.

All assets and liabilities (other than borrowings and deferred taxes) that are expected to be settled in the ordinary course of business within 12 months from the balance sheet date are separately stated as current assets or current liabilities respectively. The accounting policies applied by the Company, are consistent with those used in the previous year.

2. Use of estimates

The preparation of the financial statements in accordance with the Generally Accepted Accounting Principles, requires that the management to make estimates and assumptions that effect the reported amounts of Assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from those estimates.

3. Fixed Assets

- Fixed assets are stated at cost less accumulated depreciation. Cost includes all direct expenses incurred to bring an asset to working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.
- Fixed assets acquired under Hire Purchase are shown at their principal cost excluding the interest cost.
- Amounts paid under contract terms for purchasing fixed assets and fixed assets acquired but not put to use at the Balance Sheet date are classified as capital work in progress.

4. Depreciation

Depreciation on Fixed Assets is provided on Straight Line Method at the rate specified in Schedule XIV to the Companies Act, 1956.

5. Employee Benefit Plans

Employee benefit plans comprise both defined benefit and defined contribution plans.

- a) The Company contributes to gratuity fund based upon actuarial valuation.
- b) Employees State Insurance is a defined contribution plan. Each eligible employee and the Company make the contributions at a percentage of the basic salary specified under the Employees' State Insurance Act.
- c) Provident fund is a defined contribution plan. Each eligible employee and the Company make equal contributions at a percentage of the basic salary specified under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

The Company has no further obligations under the plan beyond its periodic contributions.

6. Taxes on Income

- a) Current tax is determined as the amount of tax payable in respect of taxable income for the year.
- b) Deferred tax is recognised, subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates. deferred tax Assets arising from timing differences are recognised to the extent there is a reasonable certainty that these would be realised in future.
- c) Fringe benefit tax is measured in accordance with the Income Tax Act.

7. Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with AS-20, 'Earnings Per Share'.

- a) The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax.
- b) Basic Earning Per Share is computed and disclosed using the weighted average number of common shares outstanding during the year.
- c) Diluted Earning per Share is computed and disclosed using the weighted average number of common and dilutive common equivalent shares outstanding during the year.

8. Revenue Recognition

- a) Broadcasting services - Advertisement Revenue is recognised when the related advertisement or commercial is telecast.
- b) Subscription revenue is recognised on completion of service.
- c) Sales comprise amounts invoiced to customers for services provided net discounts.
- d) Sale of Rights are recognised when the risk and rewards of ownership are passed onto the Customers.
- e) Interest Income is recognised on time proportionate basis taking into account the amount outstanding and the rate applicable.

9. Foreign Currency Transactions

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.

10. Segment Reporting

The Company's operations predominantly relate to broadcasting and, accordingly, this is the only primary reportable segment.

11. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

As per our report of even date
For Pratapkaran Paul & Co.,
Chartered Accountants

For and on behalf of the Board of Directors

Pratapkar Paul
Partner
Membership No.: 23810

M.Raajhendhran
Managing Director

M.Ravindran
Director.

Chennai
5th September 2006.

RAJ TELEVISION NETWORK LIMITED

ANNEXURE V : SUMMARY STATEMENT OF CASH FLOWS, AS RESTATED

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Period Ended 30.06.06	Year Ended 31.03.06	Year Ended 31.03.05	Year Ended 31.03.04	Year Ended 31.03.03
A. Cash Flow from Operating Activities					
Net profit before taxation and Extraordinary items, as restated	43,886,720	55,414,460	39,612,455	46,304,735	62,437,740
Adjustments for:					
Depreciation on Fixed Assets	4,399,324	15,788,066	16,550,845	14,913,612	12,226,451
Interest income	(222,985)	(4,014,355)	(3,514,525)	(3,352,839)	(3,334,875)
Interest expenses	1,794,436	10,680,821	8,653,705	9,041,112	10,785,403

Defferred Tax Provision	(105,103)	691,504	6,966,370	8,404,998	10,453,030
Operating Profit before Working Capital changes	49,752,392	78,560,496	68,268,850	75,311,618	92,567,749
(Increase)/Decrease in sundry debtors	(22,120,591)	(15,506,609)	23,786,433	21,657,033	(11,116,924)
(Increase)/Decrease in inventories	-	-	436,635	1,000,456	(1,437,091)
(Increase)/Decrease in Loans and Advances	(776,664)	33,918,062	(6,424,786)	(54,408,614)	(15,581,381)
Increase/(Decrease) in current liabilities and provisions	11,511,211	1,795,613	(4,547,419)	24,876,762	16,314,482
Cash generated from operations	38,366,348	98,767,562	81,519,713	68,437,255	80,746,835
Income taxes paid	15,117,457	20,306,895	9,836,969	9,635,102	16,222,599
Cash flow before Extra-ordinary item	23,248,891	78,460,667	71,682,744	58,802,153	64,524,236
Proceeds from Extra-ordinay items	-	500,000	-	-	-
Net Cash from Opearting activities	23,248,891	78,960,667	71,682,744	58,802,153	64,524,236
B. Cash flows (used in) / from investing activities					
Purchase of Fixed Assets	(269,754)	(41,375,835)	(20,974,900)	(73,188,233)	(24,287,406)
(Increase) / decrease in capital work in progress	-	-	-	3,603,062	(3,603,062)
Proceeds from sale of Fixed Assets					
Interest received	222,985	4,014,355	3,514,525	3,352,839	3,334,875
Net cash flow (used in) / from investing activities	(46,769)	(37,361,480)	(17,460,375)	(66,232,332)	(24,555,593)
C. Cash flows from financing activities					
Secured loans (repaid) / availed	(5,121,581)	(30,867,859)	(40,377,005)	45,835,893	(34,915,030)
Interim Dividends paid					

Tax on interim dividends paid					
Share issue expense					
Proceeds from share capital					
Interest paid	(1,794,436)	(10,680,821)	(8,653,705)	(9,041,112)	(10,785,403)
Net cash flow (used in) / from financing activities	(6,916,017)	(41,548,680)	(49,030,710)	36,794,781	(45,700,433)
Net (decrease) / increase in cash and cash equivalents	16,286,105	50,507	5,191,659	29,364,602	(5,731,790)
Cash and cash equivalents at the beginning of the year / period	54,452,061	54,401,555	49,209,894	19,845,292	25,577,082
Cash and cash equivalents at the end of the year / period	70,738,165	54,452,061	54,401,555	49,209,894	19,845,292

Note 1

Cash and cash equivalents consist of cash in hand and balances with Banks. Cash and Cash Equivalents included in the cash flow statement comprise the following Balance sheet amounts.

Cash in Hand	35,286	40,227	52,942	31,811	122,518
With Scheduled Banks					
- On Current account	15,451,913	(839,133)	(6,270,220)	(8,806,613)	(15,539,048)
- On deposit account	55,250,967	55,250,967	60,618,833	57,984,696	35,261,822

Note 2

Cash and cash equivalents at the end of the period includes deposits with bank of Rs.225 Lakhs deposited under the Court order and that are not available for use by the company.

As per our report of even date

For Prapatkaran paul & Co.,
Chartered Accountants

For and on behalf of the Board of Directors

Pratapkaran Paul
Partner
Membership No.: 23810

M.Raajhendhran
Managing Director

M.Ravindran
Director.

Chennai
5th September 2006.

Annexure VI

RAJ TELEVISION NETWORK LIMITED

No. 32, Poes Road, II Street, Teynampet, Chennai - 600 018

Balance Sheet as on 30th June 2006			
SOURCE OF FUNDS			As on
			30.06.2006
Shareholder' Fund			
Share Capital		17,841,070	
Reserves and Surplus		355,242,604	373,083,674
Deferred Tax Liability			44,432,047
Loan Fund			
Secured Loan			58,761,128
Total			476,276,848
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block			403,262,395
Less: Accumulated Depreciation			85,641,681
Net Block			317,620,714
Current Assets, Loans and Advances			
Loans and Advances		57,108,652	
Cash and Bank Balances		70,738,165	
Sundry Debtors		112,744,417	
			240,591,234
Less : Current Liabilities & Provisions			81,935,099
Net Current Assets			158,656,135
Total			476,276,848

The Schedules referred to above, notes on Accounts and Accounting Policies form an integral part of the financial statements.

For RAJ TELEVISION NETWORK LIMITED

For Pratapkaran Paul & Co.,
Chartered Accountants.,

M.Raajhendhran
Managing Director.
Chennai

M.Ravindran
Director.

Pratapkarana Paul
Partner.

Annexure VII

RAJ TELEVISION NETWORK LIMITED

No. 32, Poes Road, II Street,

Teynampet, Chennai - 600 018

Profit and Loss Account for the period Ended 30th June, 2006

INCOME			For the
			Year ended
			30.06.2006
Revenue		90,108,399	
Other Income		472,985	90,581,384
EXPENDITURE			
Operational Expenses		19,691,401	
Administration and Selling Expenses		12,279,058	
Establishment Expenses		8,635,547	40,606,006
Operating Profit			49,975,377
Financial Expenses		1,794,436	
Depreciation		4,399,324	6,193,761
Profit Before Taxation			43,781,617
Provision for Taxation			
- Current		14,841,994	
- Deferred		(105,102)	
- Fringe Benefit Taxation		275,463	15,012,355
Profit After Tax carried to Balance Sheet			28,769,262

The Schedules referred to above, notes on Accounts and Accounting Policies form an integral part of the financial statements.

**For RAJ TELEVISION
NETWORK LIMITED**

**For Pratapkaran Paul & Co.,
Chartered Accountants.,**

**M.Raajhendhran
M.Ravindran**

**Managing Director.
Director.**

Chennai

Pratapkaran Paul

Partner.

M/s.RAJ TELEVISION NETWORK LIMITED

ANNEXURE VIII : STATEMENT GIVING DETAILS OF OTHER INCOME

Particulars		30.06.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Other income, as per unconsolidated Summary Statement of Profits and Losses, as restated (a)		472,985	4,014,355	3,987,595	3,352,839	7,323,875	8,354,160
Net Profit before tax, as per Unconsolidated Summary Statement of Profits and Losses, as restated (b)		28,769,263	35,607,565	29,775,486	36,669,633	46,215,141	47,302,422
Percentage of Other Income (a) / (b)		2%	11%	13%	9%	16%	18%
	Nature of						
Particulars	Income	30.06.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
1. Interest Income on							
- Deposits with Banks	Recurring	222,985	4,014,355	3,514,525	3,352,839	2,966,195	2,372,977
- Income Tax Refund	Non-Recurring	-	-	-	-	368,680	-
2. Profit on Sale of Assets	Recurring	-	-	473,070	-	-	-
3. Rights Income	Recurring	250,000	-	-	-	2,580,000	2,699,770
4. Film Income	Non-Recurring	-	-	-	-	-	1,281,413
5. Short Term capital gain on Sale of Shares	Non-Recurring	-	-	-	-	1,409,000	-
6. Internet Rights Income	Non-Recurring	-	-	-	-	-	2,000,000
Total		472,985	4,014,355	3,987,595	3,352,839	7,323,875	8,354,160

Note:

1. The classification of "Other Income" as recurring and non-recurring is based on the current operations and business activity of the Company as determined by Management.

2. The details of "Other Income" disclosed above are stated after adjusting the effect of restatement.

As per our report of even date

**For Pratapkar Paul & Co.,
Chartered Accountants**

For and on behalf of the Board of Directors

Pratapkar Paul
Partner
Membership No.: 23810

M.Raajhendhran
Managing Director

M.Ravindran
Director.

Chennai
5th September 2006.

RAJ TELEVISION NETWORK LIMITED		
ANNEXURE IX : CAPITALISATION STATEMENT AS ON 30.06.2006		
Particulars	Pre Issue as at 30.06.2006	Post Issue
Short-term debt (A)	42,562,740	
Long-term debt (B)	16,198,388	
Total debt (C = A+B)	58,761,128	REFER
		NOTE - 2
Shareholders' funds		
Equity share capital	17,841,070	
Reserves and surplus, as restated	355,242,604	
Total shareholders' funds (D)	373,083,674	
Long-term debt/Shareholders' funds (B/D)	0.04	
Total debt/Shareholders' funds (C/D)	0.16	

Notes:

1. The figures disclosed above are based on the restated financial statements.
2. The Equity Share Capital and Reserves & Surplus (post Issue) can be calculated only on conclusion of Book Building Process.

As per our report of even date

**For Pratapkar Paul & Co.,
Chartered Accountants**

For and on behalf of the Board of Directors

Pratapkar Paul
Partner
Membership No.: 23810

M.Raajhendhran
Managing Director

M.Ravindran
Director.

Chennai
5th September 2006.

RAJ TELEVISION NETWORK LIMITED						
ANNEXURE X - DETAILS OF LOANS AND PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT MARCH 31, 2006						
<i>(All amounts are in Indian Rupees, unless otherwise stated)</i>						
Particulars	Period Ended 30.06.06	Year Ended 31.03.06	Year Ended 31.03.05	Year Ended 31.03.04	Year Ended 31.03.03	Year Ended 31.03.02
Secured Loans	58,761,128	63,882,709	94,750,568	135,127,573	89,291,680	124,206,710
Unsecured Loans	-	-	-	-	-	-
Details of principal terms and conditions of loans outstanding as at March 31, 2006						
Name of the Lendor	Amount	Interest rate	Repayment Terms	Security		
Secured Loan - Canara Bank				Primary :	Hypothecation of Book Debts of the Company	
			Repayable on demand			
- Working Capital Loan	42,858,546	12.75%		Secondary :	EMT of Land and Building at Plot No.12, II Street, Poes Road, Chennai.	
- Term Loan	21,024,163	12.75%	Repayable on demand	Primary :	Hypothecation of Property at Old No.13 A, Poes Road, Second Street, Teynampet, Chennai - 18.	
					Personal Guarantees of all the directors.	

As per our report of even date

For Pratapkaran paul & Co.,
Chartered Accountants

For and on behalf of the Board of Directors

Pratapkaran Paul
Partner
Membership No.: 23810

M.Raajhenthuran
Managing Director

M.Ravindran
Director

Chennai
5th September 2006.

RAJ TELEVISION NETWORK LIMITED

ANNEXURE XI : ACCOUNTING RATIOS

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Period Ended 30.06.06	Year Ended 31.03.06	Year Ended 31.03.05	Year Ended 31.03.04	Year Ended 31.03.03	Year Ended 31.03.02
Basic and Diluted Earnings per Share (Rs.)	2.69	3.33	2.78	3.43	4.32	4.42
Return on Net Worth %	7.71%	10.34%	9.65%	13.15%	19.08%	24.13%
Net Asset Value per Equity Share (Rs.)	209.12	192.99	173.03	156.34	135.79	109.88
Total Debt /Equity Ratio	0.16	0.19	0.31	0.48	0.37	0.63
Weighted average number of equity shares outstanding during the year / period	10,704,642	10,704,642	10,704,642	10,704,642	10,704,642	10,704,642
Total number of equity shares outstanding at the end of the year / period	1,784,107	1,784,107	1,784,107	1,784,107	1,784,107	1,784,107

Notes:

1. The ratios have been computed as below :

Earnings per share (Rs.)	Net profit as restated, attributable to equity shareholders
	Weighted average number of equity shares outstanding during the year/ period
Return on Net Worth (%)	Net profit after tax, as restated
	Net worth as at the end of the year / period
Net Assets Value per Equity Share (Rs.)	Net worth as at the end of the year / period
	Number of equity shares outstanding during the year/ period
Total Debt/ Equity Ratio	Long term debt + Short term debt
	Equity Share Capital + Reserves and Surplus

2. Networth means Equity Share Capital + Reserves and Surplus

3. The figures disclosed above are based on the Restated financial statements of the Company

4. The Board of directors at their meeting held on September 8 , 2006 approved the issuance of equity shares of Rs 10 each as bonus shares in the ratio of 5:1 to the shareholders existing as September 8 , 2006. These, as per the requirements of Accounting standard-20 'Earnings per share ('AS-20') issued by the Institute of Chartered Accountants of India ('ICAI'), have been considered in the computation of weighted average number of shares for computation of EPS for all the periods presented.

As per our report of even date

**For Pratapkaran paul & Co.,
Chartered Accountants**

For and on behalf of the Board of Directors

**Pratapkaran Paul
Partner
Membership No.: 23810**

**M.Raajhendhran
Managing Director**

**M.Ravindran
Director.**

Chennai

5th September 2006.

RAJ TELEVISION NETWORK LIMITED

ANNEXURE XII - DETAILS OF PROMOTER GROUP

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004
Nature of Relationship	Name of the Party	Name of the Party	Name of the Party	Name of the Party
Promoter	Mr.M.Raajhendhran	Mr.M.Raajhendhran	Mr.M.Raajhendhran	Mr.M.Raajhendhran
	Mr.M.Rajarthinam	Mr.M.Rajarthinam	Mr.M.Rajarthinam	Mr.M.Rajarthinam
	Mr.M.Raveendran	Mr.M.Raveendran	Mr.M.Raveendran	Mr.M.Raveendran
	Mr.M.Regunathan	Mr.M.Regunathan	Mr.M.Regunathan	Mr.M.Regunathan
Relatives of the Promoter	Mrs.Amudha Raajhendhran	Mrs.Amudha Raajhendhran	Mrs.Amudha Raajhendhran	Mrs.Amudha Raajhendhran
	Mrs.Aruna Rajaratinam	Mrs.Aruna Rajaratinam	Mrs.Aruna Rajaratinam	Mrs.Aruna Rajaratinam
	Mrs.Vijayalakshmi Raveendran	Mrs.Vijayalakshmi Raveendran	Mrs.Vijayalakshmi Raveendran	Mrs.Vijayalakshmi Raveendran
	Mrs.Usharani Regunathan	Mrs.Usharani Regunathan	Mrs.Usharani Regunathan	Mrs.Usharani Regunathan
Companies / Firms in which Promoters has significant interest	Vissa Televison Network Limited	Vissa Televison Network Limited	Vissa Televison Network Limited	Vissa Televison Network Limited
	M/s.Raj Video Vision	M/s.Raj Video Vision	-	M/s.Raj Video Vision

As per our report of even date

For Pratapkaran paul & Co.,

Chartered Accountants

For and on behalf of the Board of Directors

**Pratapkaran Paul
Partner
Membership No.:
23810**

**M.Raajhendhran
Managing Director**

**M.Ravindran
Director.**

Chennai

5th September 2006.

RAJ TELEVISION NETWORK LIMITED

**ANNEXURE XIII - DETAILS OF TRANSACTIONS WITH PROMOTER GROUP AND DETAILS OF
OUTSTANDING BALANCES**

PARTICULARS	NATURE OF RELATIONSHIP	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004
Purchase of Fixed Assets	Promoter	-	30,000,000	-	-
Income & Expenses					
Income from Service rendered	Companies / Firms in which Promoters has significant interest	-	-	-	14,304,219
Income from Sale of Rights	Companies / Firms in which Promoters has significant interest	-	-	900,000	-
Managerial Remunerations	Promoters	1,500,000	60,000,000	60,000,000	60,000,000
	Ralatives of Promoters	1,500,000	60,000,000	60,000,000	60,000,000
Outstanding Balance					
Loans & Advances	Companies / Firms in which Promoters has significant interest	48,658,540	48,408,540	83,754,688	73,061,766
Sundry Creditors	Promoters	11,978,150	15,727,450	7,857,450	11,623,050
	Companies / Firms in which Promoters has significant interest	115,000	115,000	-	-

As per our report of even date

For Pratapkaran paul & Co.,

**For and on behalf of the Board of
Directors**

Chartered Accountants

Pratapkaran Paul

Partner

Membership No.: 23810

M.Raajhendhran

Managing Director

M.Ravindran

Director.

Chennai

5th September 2006.

RAJ TELEVISION NETWORK LIMITED						
ANNEXURE XIV : STATEMENT OF TAX SHELTERS						
(All amounts are in Indian Rupees, unless otherwise stated)						
PARTICULARS	Period Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	30.06.2006	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Net Profit/ (Loss), as per unconsolidated Restated Financials	28,769,263	35,607,565	29,775,486	36,669,633	46,215,141	47,302,422
Add: Provision for taxation including deferred tax	15,012,355	20,998,399	16,405,310	18,934,585	25,051,419	25,349,821
Net Profit/ (Loss) before Provision for Tax	43,781,618	56,605,964	46,180,796	55,604,218	71,266,560	72,652,243
Income tax rate	33.6600%	33.6600%	36.5925%	35.8750%	36.7500%	35.7000%
Tax at applicable rates (A)	14,736,893	19,053,568	16,898,708	19,948,013	26,190,461	25,936,851
Adjustments:						
Permanent Differences						
Inadmissible Expenses (B)	-	-	-	-	29,327	-
Temporary Differences						
Difference between Tax Depreciation & Book depreciation (C)	312,246	(2,054,379)	(19,513,788)	(27,627,698)	(26,229,412)	(24,338,232)
Net Adjustments (D) = (B)+(C)	312,246	(2,054,379)	(19,513,788)	(27,627,698)	(26,200,085)	(24,338,232)
Tax (saving) / outgoing thereon (E)	105,102	(691,504)	(7,140,583)	(9,911,437)	(9,628,531)	(8,192,249)
Net tax incidence	14,841,995	18,362,064	9,758,125	10,036,577	16,561,930	17,744,602
Wealth Tax	-	130,077	20,109	11,719	40,890	-
Total Taxation	14,841,995	18,492,141	9,778,234	10,048,296	16,602,820	17,744,602
Tax Provision as per Books	14,841,995	18,645,643	9,836,969	9,635,102	16,222,599	17,157,572
Differences	-	(153,502)	(58,735)	413,194	380,221	587,030

II.FINANCIAL INFORMATION OF GROUP COMPANIES

1) VISSA TELEVISION NETWORKS LIMITED (VTNL)

VTNL was incorporated on 2nd November 1999 as RaJ Telefilm Limited with Registrar of Companies, Tamil Nadu vide Certificate of incorporation No. 18-43457 of 1999 . The name of the was changed Raj Telefilm Limited to Vissa Television Networks Limited w.e.f. 29.03.2003. The company is engaged in business of satellite Channel in Telegu Language. The Registered Office of the company is situated at No.32, Poes Road, Second Street, Tenynempet, Chennai.

Activities

Vissa Television Networks is in the process of launching a channel VISSA Tv which is regional Telugu Sattelite Channel

The Board of the Directors of the Company includes

1. Mr. M. Reghunathan
2. Mrs. Amudha Raajhendhran
3. Mr. Aruna Rajaratnam
4. Mrs. Vijayalakshmi Raveendran
5. Mrs. Usharani Reghunathan

Shareholding Pattern of VTNL

As on the date, the paid up Equity Capital of Rs 5,00,070 is divided in to 50,007 Equity Shares of Rs. 10/- each and the same is owned as follows

Name of the Share Holders	No. of Shares	% of Shae holding
M.Reghunathan	12,501	25.00
M. Raajhendran	12,500	25.00
M. Rajarathinam	12,500	25.00
M.Raveendran	12,500	25.00
Amudha Raajhendran	1	-
Aruna Rajarathinam	1	-
Vijayalakshmi Raveendran	1	-
Usharani Reghunathan	1	-
Visalakshy Raajhendran	1	-
Maniselvi Rajarathinam	1	-
Total	50,007	100.00

The summary of financial performance of VTNL for the last 3 years is given below:

(Rs. in Lakhs)

Year End March 31,	2004	2005	2006
Sales	145.97	107.32	207.80
Net Profit /(Loss) after Tax	(720.35)	(237.76)	51.52
Equity Capital	5.00	5.00	389.30
Share Application Money	84.29	84.29	-
Reserves & Surplus	-	-	-
Net Worth	(818.79)	(1030.73)	(597.30)
Earning Per Share (EPS) (in Rs.)	-	-	-
Net Asset Value (NAV) per share (in Rs.)	-	-	-

VTNL is not a listed Company.

Since the Company is not engaged in manufacturing activity, the Company is neither a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1956 nor is under winding up.

There are no defaults in meeting any statutory/bank/institutional dues.

RAJ VIDEO VISION (RJV)

Raj Video Vision is a Regd. partnership firm engaged in the retail distribution of VCDs, DVDs and VHS video cassettes. The firm was incorporated on 23/11/1995. The Video Library is located at 703, Anna Salali Chennai 600 006.

The firm is engaged in the business of retail distribution and sale of film, music, devotional, spiritual and television content in the VCDs, DVDs and VHS formats. The firm operates from its premises on 703, Anna Salai, Chennai 600 006.

Over the years, Raj Video Visions has acquired several film rights and film titles and around 1368 film rights. The video library is an active supplier of regional movie content ranging from old to new titles.

The details of partners of the Raj Video Vision is as under:

Sr. No.	Name of Partner	Profit Sharing Ratio (%)
1	M.Reghunathan	25.00%
2	M. Rajarathinam	25.00%
3	M.Raveendran	25.00%
4	Amudha Raajhendran	25.00%
	Total	100.00%

The summary of financial performance of Raj Video Vision for last 3 years is given below:

(Rs. in Lakhs)

Year Ended March 31,	2004	2005	2006
Sales	66.64	139.80	343.03
Net Profit /(Loss)	(0.12)	2.53	21.77
Partners Capital (including Current A/cs of partners)	38.56	34.87	53.62

M/s. Rajendra's:

M/s. Rajendra's is a partnership firm constituted in the year 1987. The partners of the firm ventured into the media and entertainment business by setting up of an integrated studio viz. "Rajendras". The facilities in the studio were used by independent movie and serial producers to make in-studio and outdoor film shooting. The firm also ventured into the business of producing 'video magazine',

The following is the share of the partners in the partnership firm.

Sr. No.	Name of Partner	Profit Sharing Ratio (%)
1	M.Reghunathan	25.00%
2	M. Rajarathinam	25.00%
3	M.Raveendran	25.00%
4	Amudha Raajhendran	25.00%
	Total	100.00%

The firm has no business activity for the past several years.

Related party Transactions

For related party transactions, please refer to the section entitled "Related Party Transactions" on page [•] of this Draft Red Herring Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

Overview of the Business of the Company

We are a regional media house, running entertainment channels in the Tamil language. We presently broadcast two widely viewed channels 'Raj TV' and 'Raj Digital Plus' ("**Raj TV Network**") which together make us one of the largest regional satellite television broadcaster in Tamilnadu. Our premier channel RAJ TV has been in operation since 1994. We are in the process of launching another Tamil language television channel which shall be a multi content channel targeting the youth. Our Network enjoys a good brand value among the viewers for its content & unbiased social views.

RAJ TV was launched in 1994 by our CMD Mr. M. Raajhendran along with his brothers, who specialize in their specific business areas. RAJ TV was one of the first channels to convert broadcast through analog transmission into digital. The Raj TV Network has a large content base which addresses every member of the family and thereby making it a true "People's Channel".

RAJ TV Network has an advantage of being a mass channel with attractive programming to cater to the needs of the entire family. The Raj TV Network provides the right mix of entertainment, news, religion and culture to provide a wholesome package. The Network provides programmes ranging from films, serials, game shows, classical concerts and programmes related to spiritual tourism apart from discourses by spiritual gurus. We hold broadcast rights for spiritual programmes of more than 1000 hours of content with a potential to add aggregate 100 hours of content every year.

We have the largest movie database in Tamilnadu. We hold the rights for around 1368 Tamil films comprising of old classics to recent blockbuster films. Our Company also produces non-fiction & other cultural programs which has a wide following among viewers.

We devote most of our resources in producing our own serials, film / non film based programmes and employ directors and other technicians including production houses to produce quality programmes for our channels. We have also produced several non-fiction & cultural programs which have wide viewership. With self produced content, our Company owns and holds the entire rights over these programmes and has build an intellectual property base for itself.

We have predominantly positioned ourselves as a regional player and a 'People's Channel', delivering the required regional flavour. We enjoy good brand value, primarily due to our concentration on the Tamil speaking population. Over the years, we have focused on catering to the local tastes and preferences of the viewers in the region which has turn positioned us as one of the leading tamil satellite regional television network. We have concentrated on developing local language programming with wide ranging formats to suit viewers preference. We regularly change our programming formats to respond to changes in preferences and trends of the viewers.

Significant Developments subsequent to the last Financial Year

There are no significant developments subsequent to the last financial year except for the following:

- The Company has issued 89,20,535 Equity Shares as Bonus on 8th September, 2006 in the ratio of 5:1 i.e. five shares for every one share held by the shareholders as on 6th September, 2006. Consequently, the paid up share capital of the Company stands increased to Rs.1070.46 Lakhs from a paid up shares capital of Rs.178.41 Lakhs.
- The Company proposes to induct four Independent Directors to broad base the Board of Directors in order to have a professional approach to the management of the Company. These proposed directors have given their consent to act as director. However, permission of Ministry of Information &

Broadcasting is sought their appointment and the same is awaited. Experience and expertise of these Independent Directors shall contribute to vision of the Company to achieve higher growth in the coming years.

- The Board of Directors, at its meetings held on 7th August 2006, declared interim dividends @ 5% out of the accumulated profits of the Company.

Factors that may affect results of the Operations

The factors that affect results of operations are as follows:

Revenue

Advertisement Income

Our advertising income accounted for Rs. 1430.19 lakhs for the year ended March 31, 2006, which was 42.33 % of our total income. Our financial performance will depend on our ability to maximize our advertisement income. Consequently, any change in advertiser and viewer preferences may affect our financial performance.

Growth of Broadcasting Sector in India

The Broadcasting Sector has witnessed significant growth in recent years primarily due to liberalization of the laws and regulations governing the sector, changes in technology and introduction of competing broadcasting, advertising or distribution mediums. These steps have resulted in greater viewership of our programmes and thereby augmenting the potential for earning the advertising revenues.

Advertising rates

The reach and viewership of our channels in south India offers an attractive platform for advertisers. Consequently, the advertisement rates charged by our channel are dependent on the reach and viewership of its programs. Advertisement income constitutes a significant portion of our total income and hence the advertising rate is a predominant factor affecting the results of our operation.

Subscription Revenue – Pay Channel Income

In addition to possible growth due to an increase in the number of cable and television homes, overall subscription revenues may grow if subscription rates increases. In addition, the share of subscription revenues allocated to broadcasters could increase further with the implementation of the CAS, DTH and other new technologies, besides the regulatory or other measures that could potentially address the problem of under-reporting of subscribers.

Production and administrative costs

Our administrative and production costs consist, primarily, of Production expenses, communication expenses, studio and equipment hire expenses, advertisement expenses, Rent & taxes, Legal and Professional fees, Traveling and Conveyance etc. These cost forms major part of our cost.

Employee cost

We operate in a highly competitive industry, which is centered on human resources and retention is the key for the business. We may be required to increase our cost on employees from time to time in order to attract and retain the most talented and skilled employees.

The following discussion on the financial operations and performance should be read in conjunction with the Restated financial Statements of the company for the year ended 31st March 2003, 2004, 2005 and 2006:

(Amount in Indian Rupees)

No.	PARTICULARS	Period ended 30.06.06	Year Ended 31.03.06	Year Ended 31.03.05	Year Ended 31.03.04	Year Ended 31.03.03
A.	INCOME					
	ADVERTISEMENT	45,265,999	143,019,983	169,284,977	211,083,017	213,403,562
	AIR TIME CHARGES	10,516,533	46,353,208	58,434,973	59,662,959	62,991,856
	EXPORT - PROGRAMMES	1,809,313	18,504,874	17,231,526	11,350,592	1,610,506
	RIGHTS INCOME	5,000	7,690,000	1,254,779	-	548,303
	PAY CHANNEL SUBSCRIPTION	35,279,922	121,985,305	66,623,053	74,504,325	23,987,500
	Other operation income		346,366	7,363	11,863,644	1,437,091
	Revenue	92,876,767	337,899,736	312,836,671	368,464,537	303,978,818
	Less : Service Tax	2,768,368	22,816,490	20,382,035	17,662,877	12,587,092
	Net Income	90,108,399	315,083,246	292,454,636	350,801,660	291,391,726
	Increase Over Previous Year		7.74%	-16.63%	20.39%	14.60%
	Other Income	472,985	4,014,355	3,987,595	3,352,839	7,323,875
	Extra Ordinary Income	-	500,000	-	-	-
	TOTAL INCOME	90,581,384	319,597,601	296,442,231	354,154,499	298,715,601
	Net Income /Total Income %	99.48%	98.59%	98.65%	99.05%	97.55%
	Increase Over Previous Year		7.81%	-16.30%	18.56%	13.75%
B.	EXPENDITURE					
	Operational Expenses	19,691,401	135,720,670	137,745,388	199,319,665	138,060,380
	Increase Over Previous Year		-1.47%	-30.89%	44.37%	38.26%
	% To Total Expenses	42.08%	51.61%	50.96%	61.38%	54.23%
	% To Total Income	21.74%	42.47%	46.47%	56.28%	46.22%
	Administration and Selling Expenses	12,279,058	66,635,063	53,923,486	44,012,699	36,592,688
	Increase Over Previous Year		23.57%	22.52%	20.28%	3.01%
	% To Total Expenses	26.24%	25.34%	19.95%	13.55%	14.37%
	% To Total Income	13.56%	20.85%	18.19%	12.43%	12.25%
	Establishment Expenses	8,635,547	32,649,750	30,280,654	31,173,478	29,623,923
	Increase Over Previous Year		7.82%	-2.86%	5.23%	25.94%
	% To Total Expenses	18.45%	12.41%	11.20%	9.60%	11.64%
	% To Total Income	9.53%	10.22%	10.21%	8.80%	9.92%
	Financial Expenses	1,794,436	10,680,821	8,653,705	9,041,112	10,785,403

	Increase Over Previous Year		23.42%	-4.28%	-16.17%	-44.04%
	% To Total Expenses	3.83%	4.06%	3.20%	2.78%	4.24%
	% To Total Income	1.98%	3.34%	2.92%	2.55%	3.61%
	Depreciation / Amortisation	4,399,324	17,305,333	39,710,216	41,207,071	39,510,080
	Increase Over Previous Year		-56.42%	-3.63%	4.30%	6.44%
	% To Total Expenses	9.40%	6.58%	14.69%	12.69%	15.52%
	% To Total Income	4.86%	5.41%	13.40%	11.64%	13.23%
	TOTAL EXPENDITURE	46,799,767	262,991,639	270,313,450	324,754,027	254,572,476
	Increase Over Previous Year		-2.71%	-16.76%	27.57%	18.24%
	% To Total Income	51.67%	82.29%	91.19%	91.70%	85.22%
C.	PROFIT BEFORE TAX	43,781,617	56,605,962	26,128,781	29,400,472	44,143,125
	PBT/TOTAL INCOME%		17.71%	8.81%	8.30%	14.78%
	Provision for Taxation					
	- Current	14,841,994	18,645,643	9,836,969	9,635,102	16,222,599
	- Deffered	(105,102)	691,504	-	-	-
	- Fringe Benefit Taxation	275,463	1,661,252	-	-	-
D.	NET PROFIT AFTER TAX	28,769,262	35,607,563	16,291,812	19,765,370	27,920,526
	PAT/TOTAL INCOME%	31.76%	11.14%	5.50%	5.58%	9.35%
E.	ADJUSTMENT ON ACCOUNT OF CHANGE IN ACCOUNTING POLICY -					
	Depreciation	-	-	(22,120,904)	(26,293,459)	(27,283,629)
	Deferred Tax	-	-	6,568,341	9,299,483	8,828,820
	Total	-	-	(15,552,563)	(16,993,976)	(18,454,809)
F.	OTHER ADJUSTMENTS					
	Production Expenses	-	-	1,965,187	-	-
	Provision for Gratuity	-	-	83,594	77,996	119,306
	Wealth tax	-	-	20,109	11,719	40,890
	Total other adjustments	-	-	2,068,890	89,715	160,196
G.	NET PROFIT, AS RESTATED (D-E-F)	28,769,262	35,607,563	29,775,485	36,669,631	46,215,139
	PAT/ TOTAL INCOME% -A	31.76%	11.14%	10.04%	10.35%	15.47%

a) Comparison of Performance and Analysis of Developments for Financial year ended 31st March 2006 vis-à-vis 31st March 2005

INCOME

Total Income

Our total income has increased from Rs.2964.42 Lacs to Rs.3195.98 Lacs registering a growth of 7.81%. This was mainly due to increase in income from pay channel subscriptions and export of Programmes. It was the conscious policy decision of the company to have a proper mix of two streams of major sources of revenue for the company.

Advertising Income

Advertising Income has declined by 15.52% i.e from Rs.1692.85 Lacs to 1430.20 Lacs since we compromised our advertising revenue to increase our Pay Channel Subscription Income.

Pay Channel Subscription Income

Pay Channel Subscription Income increased from Rs.666.23 Lacs to Rs.1219.85 Lacs registering a growth 83.10% due to increase in number of subscribed viewers.

Air Time Charges

Air Time Charges declined by 20.68% from Rs.584.35 Lacs to Rs.463.53 Lacs.

EXPENDITURE

Operational Expenses

Operational Expenses/Total Income Ratio declined 46.47% to 42.47% mainly due to decrease in Production Expenses despite rise in income.

Administration and Selling Expenses

Administration and Selling Expenses increased by 23.57% from Rs 539.23 Lacs to Rs 666.35 Lacs due to increase in sales promotion, Travelling Expenses, Rent Rates & Taxes etc.

Establishment Expenses

Establishment Expenses increased by 7.82% which is in line with the increase in total income.

Financial Expenses

Financial Expenses increased by 23.42% from Rs 86.54 Lacs to Rs 106.81 Lacs due to additional secured loans from the bank for the major portion of the year 2005-06. **taken by the company**

Profit Before Tax/Total Income (Before Adjustment)

Profit Before tax / Total Income Ratio increased from 8.81% to 17.71% mainly due to change in method of depreciation from written down value method to Straight Line Method. However, if we consider the revised method of depreciation, all the ratios are consistent as reflected in para 'G' in the above Table.

PAT/ Total Income (Before Adjustment)

The ratio of Profit After Tax to Total Income (before Adjustment) increased from 5.50% to 11.14% as detailed in the preceding para.

PAT/ Total Income (After Adjustment)

The ratio of Profit After Tax to Total Income (after Adjustment) increased from 10.04% to 11.14% after giving adjustment of Depreciation as per Straight Line Method in previous year 2004-2005.

b) Comparison of Performance and Analysis of Developments for Financial year ended 31st March 2005 vis-à-vis 31st March 2004**INCOME****Total Income**

Our total income decreased by 16.30% from Rs.3541.55 Lacs to Rs.2964.42 Lacs due to fall in both advertisement and pay channel subscription incomes.

Advertising Income

Advertising Income declined by 19.80% i.e from Rs.2110.83 lacs to Rs 1692.85 Lacs since we compromised our advertising revenue to increase our Pay Channel Subscription Income.

Pay Channel Subscription Income

Pay Channel Subscription Income declined by 10.57% from Rs.745.04 lacs to Rs 666.23 Lacs due to decline in declarations by cable operators

Air Time Charges

Air Time Charges moderately reduced by 2.06% from Rs.596.63 lacs to Rs. 584.35 Lacs.

EXPENDITURE**Operational Expenses**

Operational Expenses declined by 30.89% from Rs 1993.20 lacs to Rs 1377.45 Lacs mainly due to decrease in Production Expenses in line with decrease in total income and purchase of Set Top Boxes of Rs 104.46 lacs in the FY 2003-04.

Administration and Selling Expenses

Administration and Selling Expenses increased by 22.52% from Rs 440.13 lacs to Rs. 539.23 Lacs due to increase in Sales Commission, Traveling Expenses, Rent Rates& Taxes etc.

Establishment Expenses

Establishment Expenses moderately declined by 2.86% from Rs 311.74 Lacs to Rs 302.81 Lacs.

Financial Expenses

Financial Expenses had declined 4.28% from Rs 90.41 Lacs to Rs 86.54 Lacs due to saving in Interest on Term loans.

Profit Before Tax/Total Income (Before Adjustment)

Profit Before Tax / Total Income Ratio (Before Adjustment) increased from 8.30% to 8.81% mainly due to saving in Operational Expenses

PAT/ Total Income (Before Adjustment)

The ratio of Profit After Tax to Total Income (before Adjustment) declined from 5.58% to 5.50% to 11.14% mainly due to moderate increase in tax provision.

PAT/ Total Income (After Adjustment)

The ratio of Profit After Tax to Total Income (after Adjustment) increased from 10.35% to 10.04% to mainly due to moderate increase in tax provision.

c) Comparison of Performance and Analysis of Developments for Financial year ended 31st March 2004 vis-à-vis 31st March 2003**INCOME****Total Income**

Our total income increased by 18.56% from Rs.2987.16 Lacs to Rs 3541.55 Lacs due to increase in pay channel subscription income and export of film programmes.

Advertising Income

Advertising Income moderately declined by 1.08% i.e from Rs.2134.04 Lacs to Rs. 2110.83 Lacs

Pay Channel Subscription Income

Pay Channel Subscription Income increased by 210% from Rs.239.88 Lacs to Rs745.04. In the Year 2002-03, our company has switched over from Free to Air to Pay Channel Subscription Model

Air Time Charges

Air Time Charges moderately decreased by 5.28% from Rs.629.91 lacs to Rs. 596.63 lacs.

EXPENDITURE**Operational Expenses**

Operational Expenses increased by 44.37% from Rs 1380.60 Lacs to Rs.1993.20 lacs mainly due to increase in Production Expenses in order to ensure value for money to the subscribers of the Pay Channels and purchase of Set Top Boxes.

Administration and Selling Expenses

Administration and Selling Expenses increased by 20.28% from Rs 365.93 Lacs 440.13 lacs to Rs. 440.13 Lacs due to increase in Advertisement, Sales Commission, Traveling Expenses, Rent Rates& Taxes, etc. This is basically result of shift in our revenue generation model.

Establishment Expenses

Establishment Expenses moderately increased by 5.23% from Rs 296.24 Lacs to Rs.311.74 Lacs.

Financial Expenses

Financial Expenses had declined by 16.17% from Rs. 107.85 Lacs to Rs.90.41 Lacs due to saving in Interest.

Profit Before Tax/Total Income (Before Adjustment)

Profit Before Tax / Total Income Ratio (Before Adjustment) declined from 14.78% to 8.30% mainly due to increase in Operational Expenses

PAT/ Total Income (Before Adjustment)

The ratio of Profit After Tax to Total Income (before Adjustment) declined from 9.35 to 5.58% % mainly due to increase in operational expenses.

PAT/ Total Income (After Adjustment)

The ratio of Profit After Tax to Total Income (after Adjustment) declined d from 15.47% to 10.35% due to increase in operational expenses as stated above.

Unusual or infrequent events or transactions

There have been no unusual or infrequent events or transactions.

Significant economic changes that materially affected or are likely to affect income from continuing operations

There are no significant economics changes that may materially affect or likely to affect income from continuing operations.

Known trends or uncertainties that have had or are expected to have a material adverse impact on income from operations

Other than as described in the section titled “Risk Factors” and “Managements Discussion and Analysis of Financial Conditions and Results of Operations” beginning on page [•] of this Draft Red Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations.

Future Relationship between Costs and Income

Other than as described in the section entitled “Risk Factors” and “Managements Discussion and Analysis of Financial Conditions and Results of Operations” on page [•] of this Draft Red Herring Prospectus, to our knowledge there are no future relationship between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

Seasonality of business

Our revenues are not seasonal in nature.

Competitive Conditions

We face varying degrees of competition from established and new competitors in the markets we serve.

LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, our Promoters and Directors.

Civil cases filed by the Company

1. The Company, alongwith Raj Video Vision has filed a Civil Suit (46/1997) against Shree Anupama Productions and Sun TV in the Madras High Court for a declaration that the company has exclusive rights to exploit a tamil feature film titled "Rendu Pondatti Kavalkaran" through satellite. The parties have entered into a Memorandum of Understanding for arriving at out of court settlement and withdrawal of the same from the Court.
2. The Company has filed a Civil Suit (77/1997) against Kalaimagal Sabha in the Madras High Court for restraining Kalaimagal Sabha from committing breach of terms of an agreement dated November 16, 1996 and demanding refund of the advance sum of Rs.2.25 Crores pending final orders from RBI for remittance of transponder and uplinking charges. The Suit is pending in Court and will come up for hearing in due course.
3. The Company has filed a Civil Suit (969/1999) against Mrs. Thenmozhi Abavanav, the proprietrix of Kalaimalar Television in the Madras High Court for restraining Mrs. Thenmozhi Abavanav from committing breach of the terms and conditions of the agreement dated February 5, 1999 entered between them for telecast of a television serial titled "Ganga Yamuna Saraswati". The suit is pending in Court and will come up for hearing in due course.
4. The Company has filed a Civil Suit (161/2001) against K. Mohanakrishnan, proprietor of Rajamani Pictures in the Madras High Court for a declaration that the Company is the absolute owner of limited copyrights, *inter alia* of the film "Paasamalar" and for restraining the defendant from telecasting the said film. The suit is pending in Court and will come up for hearing in due course.
5. The Company has filed a Civil Suit (35/2002) against Sun TV Limited and others in the Madras High Court for a declaration that the Company is absolute owner of world satellite TV rights including India in respect of ten (10) films mentioned in the Plaint and for restraining the defendants from infringing its rights.*
6. The Company has filed a Civil Suit (131/1997) against S.A. Rajkannu and another in the Madras High Court for declaration that it is the absolute owner of the limited copyright of the film titled "Enga Chinna Rasa" in perpetuity and for restraining the defendants from infringing its copyrights. The suit is pending in Court and will come up for hearing in due course.
7. The Company has filed a Civil Suit (714/1998) against N. Muthaian, proprietor of Nandrajan Pictures and others in the Madras High Court for declaration that it is absolutely entitled to exploit the rights of the film "Thulli Odul Pulli Maan" and for restraining defendants from infringing its copyrights. The suit is pending in Court and will come up for hearing in due course.
8. The company has filed a Civil Suit (659/1999) against Sun TV and others in the Madras High Court for declaration that it is the absolute owner of the limited rights of the film titled "Uyirodu Uyiraaga" and for restraining defendants from infringing its rights in the film. The Suit is pending in Court and will come up for hearing in due course. *

9. The Company has filed a Civil Suit (761/1999) against Sun TV and others in the Madras High Court for declaration that it is the absolute owner of the limited rights in the film titled "Tata - Birla" and for restraining defendants from infringing its rights. The suit is pending in Court and will come up for hearing in due course.
10. The Company has filed a Civil Suit (751/2000) against Mr. J. Paramasivam, proprietor of V. J. Combines in the Madras High Court for declaration that it is the absolute owner of the limited rights of the film titled "Sivan" and for restraining defendants from infringing its rights. The suit is pending in Court and will come up for hearing in due course.
11. The Company, alongwith M/s. Rajendras, a partnership firm has filed a Civil Suit (1751/1995) against M/s. Swastic Video Vision in the Madras High Court for declaration that it is the absolute owner of the right of the film titled "Arangetravelai" and for restraining defendant from infringing its rights. The suit is pending in Court and will come up for hearing in due course.
12. The Company has filed a Civil Suit (O.S.966/2005) against M/s. N.S. Enterprises and another in the Court of XIV Asst. City Civil Judge at Madras for declaration that it is exclusively entitled to manufacture and sell VCD/DVD of the tamil film "Abhimannui" and for restraining defendants from infringing its copyrights. The suit is pending in Court and will come up for hearing in due course.

Civil cases filed against the Company

1. Kalaimagal Sabha has filed a Civil Suit (173/1997) against the Company in the Madras High Court for directing the Company to pay a sum of Rs.2.25 Crores together with interest alleging violation of agreement dated November 16, 1996 by the Company. The Suit is pending in Court and will come up for hearing in due course.
2. Kalaimagal Sabha has filed a Civil Suit (355/1998) against the Company in the Madras High Court for directing the company to refund a sum of Rs. 38.90 lakhs paid towards telecast charges together with interest towards telecast charges paid for exclusivity in telecast of programmes to the Company. The suit is pending in Court and will come up for hearing in due course.
3. N. Rajasekaran has filed a Civil Suit (653/1999) against the Company in Madras High Court alleging infringement of copyright in a tamil feature film titled "Sishya". The suit is pending in Court and will come up for hearing in due course. *
4. K. R. Nath has filed a Civil Suit (137/2003) against the Company and Vijay Television Limited in the Madras High Court for a declaration that K.R. Nath is the absolute owner of copyright to exhibit, exploit and distribute Tamil feature film titled "Anada Aradnai" and for restraining the Company and Vijay Television Limited from infringing its copyrights. The suit is pending in Court and will come up for hearing in due course.
5. Sun Television has filed a Civil Suit (803/2000) against the Company and others in the Madras High Court for a declaration that Sun TV has exclusive copyright in respect of the broadcast of Tamil feature film titled "Vasugi" through satellite television and for restraining the Company and other defendants from infringing its copyrights. The Suit is pending in Court and will come up for hearing in due course.*
6. Shri Balaji Enterprises has filed a Civil Suit (443/2001) against the Company and others in the Madras High Court for a declaration that Shri Balaji Enterprises is the exclusive owner of the satellite TV rights of a Tamil feature film titled "Dharma Dorai" in respect of all overseas territories and for restraining the Company and other defendants from infringing its rights. The Suit is pending in Court and will come up for hearing in due course.*
7. Mrs. S. Rajeshwari has filed a Civil Suit (60/1995) against the Company and others in the Madras High Court for a declaration that Mrs. S. Rajeshwari is the absolute owner of copyright to exhibit, exploit and distribute Tamil feature film titled "Bhuvana Oru Kelvikkuri" and "Vattathukkul Sathuram" for restraining

- the Company and others from infringing its copyrights. The Suit is pending in Court and will come up for hearing in due course.
8. Sathya Movies has filed a Civil Suit (119/1997) against the Company in the Madras High Court for restraining the Company from infringing its rights of telecasting twenty five (25) feature films mentioned in the Plaint. The suit is pending in Court and will come up for hearing in due course.
 9. M/s. Nemichand Jhabak has filed a Civil Suit (739/2003) against the Company and another in the Madras High Court for a declaration that M/s. Nemichand Jhabak is the absolute owner of rights to exhibit, exploit and distribute Tamil feature film titled "Yemanukku Yeman" and for restraining the Company and another defendant from infringing such rights. The suit is pending in Court and will come up for hearing in due course.
 10. M/s. Anjuham Family Trust has filed a Civil Suit (647/1995) against the Company and M/s. Raj Video Vision in the Madras High Court for restraining the Company from broadcasting the film "Engal Thangam" or the songs or clippings of the said film through satellite television and to pay a sum of Rs.5 lakhs towards damages for telecasting the songs and clippings of the said film. The suit is pending in Court and will come up for hearing in due course. *
 11. S. Umayal and another have filed a Civil Suit (753/1995) against the Company and others in the Madras High Court for restraining the defendants from broadcasting the film "Savale Samali" or the songs. The Suit is pending in Court and will come up for hearing in due course.
 12. Cine Times has filed a Civil Suit (779/1995) against the Company in the Madras High Court for restraining the Company from broadcasting the film "Chinnavar" on its satellite channel. The suit is pending in Court and will come up for hearing in due course.
 13. Sun TV has filed a Civil Suit (1592/1995) against the Company and another in the Madras High Court for restraining the Company from broadcasting the film "Lukcyman" or songs or clippings. The suit is pending in Court and will come up for hearing in due course.
 14. M/s. Sumangani Publications Private Limited has filed a Civil Suit (10/1996) against the Company and others in the Madras High Court for restraining the Company from broadcasting six (6) films mentioned in plaint or their songs or clippings or sequences. The suit is pending in Court and will come up for hearing in due course.*
 15. Jayashree Sridhar has filed a Civil Suit (387/2000) against the Company in the Madras High Court for recovery of an amount of Rs.10.05 lakhs claimed to be arising out of breach of a contract dated October 7, 1998 entered between the parties for production of a tele serial titled "Humma Humma". The Suit is pending in Court and will come up for hearing in due course.
 16. G.V. Films has filed a Civil Suit (823/1999) against the Company in the Madras High Court for restraining the Company from telecasting on its channels Raj TV and/or Raj Plus sixty three (63) films specified in the Plaint. The suit is pending in Court and will come up for hearing in due course.
 17. N. Santharam has filed a public interest litigation (W.P. 29146/2002) against the Company and others for restraining the Company from exhibiting a film titled "Thulluvathu Ilamal" through their television channels. The Writ Petition is pending in Court and will come up for hearing in due course.
 18. P. Magarajothi has filed a Writ Petition (17227/2004) against the Company and others for not providing decoder boxes to the petitioner after receiving monies for the same. The Writ Petition is pending in Court and will come up for hearing in due course.
 19. S. Singaram has filed a Writ Petition (19013/2000) against the Company and others for restraining the Company from announcing or conducting prize schemes of any form in their media, which are in the nature of a mock competition and not real and true competition and violate provisions of Prize Competition Act, 1955. The Writ Petition is pending in Court and will come up for hearing in due course.

20. N.S. Ziaudeen has filed a Public Interest Litigation (WP 21708/2002) against the Company and others for restraining the Company from broadcasting advertisements falling within the ambit of Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954. The Writ Petition is pending in Court and will come up for hearing in due course.
21. N.S. Ziaudeen has filed a Writ Petition (WP 21797/2000) against the Company and others for restraining the respondents from advertisements falling within the ambit of Indian Medical Council Act, 1956, Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954 and allied acts. The Writ Petition is pending in Court and will come up for hearing in due course.
22. Raaj Marketer has filed an application (O.P. 591/2006) against the Company under Arbitration and Conciliation Act, 1996 for appointment of an arbitrator to resolve disputes arising out of an Arbitration Agreement dated February 5, 2003 entered between the parties. The arbitration application is pending in Court and will come up for hearing in due course.
23. M/s. Tirupur Cable Vision has filed a suit (O.S.899/2004) against the Company and another for restraining the Company from deactivating its channels to the cable network of M/s. Tirupur Cable Vision. The suit is pending in Court and will come up for hearing in due course.

Note: A Memorandum of Understanding (MoU) dated July 29, 2005 has been entered between Sun TV Limited and the Company to withdraw the cases filed against each other.*

Proceedings before the TDSAT

There are no proceedings filed by or against our Company before the TDSAT.

Criminal cases filed by the Company

1. The company has filed a criminal complaint (7563/2003) against M/s. Win TV and another in XI M.M. Saidapat Court, Chennai for violating its copyrights in tamil film titled "Suprabadham". The complaint is pending in court and will be listed for hearing in due course.

Cases filed by the Company under Section 138 of the Negotiable Instruments Act, 1881

1. The Company has filed a criminal complaint (2698/2003) against Indus Creative before the XVIII M.M. Saidapat Court for dishonour of cheque issued to it amounting to Rs.2,00,000/-. The complaint is pending in court and will be listed for hearing in due course.
2. The Company has filed a criminal complaint (7071/2002) against Tamilan Kalaikudam before the XVIII M.M. Saidapat Court for dishonour of cheque issued to it amounting to Rs.26,250/-. The complaint is pending in court and will be listed for hearing in due course.
3. The Company has filed a criminal complaint (7072/2002) against Tamilan Kalaikudam before the XVIII M.M. Saidapat Court for dishonour of cheque issued to it amounting to Rs.26,250/-. The complaint is pending in court and will be listed for hearing in due course.
4. The Company has filed a criminal complaint (7301/2002) against Tamilan Kalaikudam before the XVIII M.M. Saidapat Court for dishonour of cheque issued to it amounting to Rs.26,250/-. The complaint is pending in court and will be listed for hearing in due course.
5. The Company has filed a criminal complaint (7001/2002) against Tamilan Kalaikudam before the XVIII M.M. Saidapat Court for dishonour of cheque issued to it amounting to Rs.82,500/-. The complaint is pending in court and will be listed for hearing in due course.
6. The Company has filed a criminal complaint (7914/2002) against Tamilan Kalaikudam before the XVIII M.M. Saidapat Court for dishonour of cheque issued to it amounting to Rs.26,250/-. The complaint is pending in court and will be listed for hearing in due course.

7. The Company has filed a criminal complaint (7913/2002) against Tamilan Kalaikudam before the XVIII M.M. Saidapet Court for dishonour of cheque issued to it amounting to Rs.75,000/-. The complaint is pending in court and will be listed for hearing in due course.
8. The Company has filed a criminal complaint (7302/2002) against Tamilan Kalaikudam before the XVIII M.M. Saidapet Court for dishonour of cheque issued to it amounting to Rs.82,500/-. The complaint is pending in court and will be listed for hearing in due course.
9. The Company has filed a criminal complaint (7913/2002) against Tamilan Kalaikudam before the XVIII M.M. Saidapet Court for dishonour of cheque issued to it amounting to Rs.75,000/-. The complaint is pending in court and will be listed for hearing in due course.
10. The Company has filed a criminal complaint (6305/2001) against M/s. M.S. Ads before the XVIII M.M. Saidapet Court for dishonour of cheque issued to it amounting to Rs.83,000/-. The complaint is pending in court and will be listed for hearing in due course.
11. The Company has filed a criminal complaint (9173/2003) against Mr. P. Vijayan before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it aggregating to Rs.50,000/-. The complaint is pending in court and will be listed for hearing in due course.
12. The Company has filed a criminal complaint (9173/2003) against Mr. P. Vijayan before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it aggregating to Rs.50,000/-. The complaint is pending in court and will be listed for hearing in due course.
13. The Company has filed a criminal complaint (9174/2003) against Mr. P. Vijayan before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it aggregating to Rs.59,867/-. The complaint is pending in court and will be listed for hearing in due course.
14. The Company has filed a criminal complaint (10439/2003) against M/s. Ojas Media (P) Limited and another before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.3,00,000/-. The complaint is pending in court and will be listed for hearing in due course.
15. The Company has filed a criminal complaint (4234/2004) against Mr. Chettidurai before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.3,20,000/-. The complaint is pending in court and will be listed for hearing in due course.
16. The Company has filed a criminal complaint (4235/2004) against Pinky Advertising Company (P) Limited before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it aggregating to Rs.1,50,000/-. The complaint is pending in court and will be listed for hearing in due course.
17. The Company has filed a criminal complaint (5867/2004) against Mr. Nandakumar before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.50,000/-. The complaint is pending in court and will be listed for hearing in due course.
18. The Company has filed a criminal complaint (5868/2004) against Mr. V. Shankaran before the XVIII M.M. Saidapet Court for dishonour of cheque issued to it amounting to Rs.68,850/-. The complaint is pending in court and will be listed for hearing in due course.
19. The Company has filed a criminal complaint (1931/2004) against M/s. Media Focus and another before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.78,375/-. The complaint is pending in court and will be listed for hearing in due course.
20. The Company has filed a criminal complaint (1932/2004) against M/s. Media Focus and another before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.32,250/-. The complaint is pending in court and will be listed for hearing in due course.
21. The Company has filed a criminal complaint (1783/2004) against M/s. Rani Drug House and others before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.97,200/-. The complaint is pending in court and will be listed for hearing in due course.

22. The Company has filed a criminal complaint (1784/2004) against M/s. Rani Drug House and others before the XVIII M.M. Saidapet Court for dishonour of cheque issued to it amounting to Rs.32,400/-. The complaint is pending in court and will be listed for hearing in due course.
23. The Company has filed a criminal complaint (1827/2005) against Mr. Planiswamy and another before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.2,93,073/-. The complaint is pending in court and will be listed for hearing in due course.
24. The Company has filed a criminal complaint (1783/2004) against M/s. Rani Drug House and others before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.97,200/-. The complaint is pending in court and will be listed for hearing in due course.
25. The Company has filed criminal complaints against M/s. Rite Tyaim & Marketing (P) Limited and another before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it aggregating to Rs.1,46,880/-. The complaints are pending in court and will be listed for hearing in due course.
26. The Company has filed a criminal complaint against Mr. Jayakumar before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.2,85,924/-. The complaint is pending in court and will be listed for hearing in due course.
27. The Company has filed a criminal complaint against Best Media Associates (India) Limited and another before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.25,000/-. The complaint is pending in court and will be listed for hearing in due course.
28. The Company has filed a criminal complaint against Mrs. Sumathi Vasupathy before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.68,850/-. The complaint is pending in court and will be listed for hearing in due course.
29. The Company has filed a criminal complaint (3281/2006) against Mrs. Alamelu before the XVIII M.M. Saidapet Court for dishonour of cheque issued to it amounting to Rs.70,000/-. The complaint is pending in court and will be listed for hearing in due course.
30. The Company has filed a criminal complaint against M/s. Thrika Foods (P) Limited and another before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.93,670/-. The complaint is pending in court and will be listed for hearing in due course.
31. The Company has filed a criminal complaint (6303/2001) against M/s. Indus Creative Advertising Private Limited and another before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.3,74,085/-. The complaint is pending in court and will be listed for hearing in due course.
32. The Company has filed a criminal complaint (6304/2001) against Dr. Radha Mohan M/s. Thrika Foods (P) Limited before the XVIII M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.20,400/-. The complaint is pending in court and will be listed for hearing in due course.
33. The Company has filed a criminal complaint (2289/1996) against Mr. K. Jothi before the XIV M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.1,00,000/-. The complaint is pending in court and will be listed for hearing in due course.
34. The Company has filed a criminal complaint (6230/1998) against M/s. Nature Care Products Private Limited before the XIV M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.5,75,000/-. The complaint is pending in court and will be listed for hearing in due course.
35. The Company has filed a criminal complaint (6229/1998) against M/s. Nature Care Products Private Limited before the XIV M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.5,75,000/-. The complaint is pending in court and will be listed for hearing in due course.
36. The Company has filed a criminal complaint (3800/1997) against Mr. Jayakumar before the XIV M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.6,00,000/-. The complaint is pending in court and will be listed for hearing in due course.

37. The Company has filed a criminal complaint (3801/1997) against Mr. Jayakumar before the XIV M.M. Saidapet Court for dishonour of cheques issued to it amounting to Rs.6,00,000/-. The complaint is pending in court and will be listed for hearing in due course.

Criminal cases filed against the Company

1. M/s. Sunidha productions has filed a criminal complaint against the company and Mr. Rajendran and Mr. Ravindran, directors of the company alleging violation of provisions of Copyright Act, 1955 in respect of a tamil filmtitled “Arangatra Velai”. The complainant is pending in the court and will be listed in due course.

Custom Duty cases filed by the Company

1. The Company and others has filed an Appeal (293 - 297/2005) against Commissioner of Customs (Airport & ACC), Chennai before The Customs, Excise, and Service Tax Appellate Tribunal, South Zonal Bench, Chennai to set aside the order passed by the commissioner, demanding duty of Rs.64.32,275/- , along with absolute confiscation of the digital satellite news gathering equipment, the redemption fine of Rs.70,00,000 & penalty of Rs.1,90,00,000 imposed on Raj TV and to set aside penalties of Rs.50,00,000 on Raajhendhran Rs.10,00,000 on Raveendran Rs.10,00,000 on Rajarathinam Rs.10,00,000 on Ragunathan, the Directors of the Company. The Company has deposited Rs.57,00,000/- towards liability by way of enforcement of Bank Guarantee. Recovery of further duty and penalties has been stayed by CESTAT in terms of Stay Order Nos. 910-914 / 2005 dated October 31, 2005.

Customs Duty cases filed against the Company

1. The Deputy Commissioner of Customs, Chennai has filed a criminal complaint (286/2005) before The Chief Metropolitan Magistrate for Economic offences, Chennai alleging import of certain restricted items in violation of provisions of Customs Tariff Act, 1975. The complaint is pending in Court and will come up for hearing in due course.

Labour Cases filed against our Company

1. R.Kariammal, a worker of the Company, has filed a claim before the appropriate authority reinstatement at Chennai and back wages. The petitioner was asked to report to work at the Hyderabad office of the Company but he has absented himself from work. He demanded reinstatement in Chennai along with back wages. The matter was heard by settlement officer and the conciliation failed. As on date there is no proceedings pending in this matter.
2. Sumathy Nagendra, an employee of the Company has filed the petition before the Assistant Labour Commissioner at Bangalore stating that she has not been paid her gratuity dues. The Company has contended that the petitioner is not entitled to any gratuity as she had worked in the Company for less than 5 years. The total claim made is Rs. 1,21,153.84. The case is pending and shall be heard in due course.

Customs Duty Cases filed by the Group Company

1. Vissa Television Network Limited has filed an Appeal (298-302/2005) against Commissioner of Customs (Airport & ACC),Chennai before The Customs, Excise, and Service Tax Appellate Tribunal, Chennai to set aside the order passed by the commissioner demanding payment of duty of Rs.29,14,411/- towards redemption fine of Rs.37,20,000/- and Penalty of Rs.25,000/-on the Company and to set aside penalties of Rs.2,00,000 on Mr.Raajhendhran, Rs.1,00,000 Mr. Raveendran, Rs.2,00,000 Mr. Rajarathinam and Rs.2,00,000 on Mr. Ragunathan, Directors of the company. The Company has already paid the differential duty and recovery of penalties imposed on company and directors has been stayed in terms of Stay OrderNo.719-794/2005 dated September 23, 2005.

Civil cases filed by Group Companies/Firms

Raj Video Vision

1. Raj Video Vision, a partnership firm of the Promoters of the Company, has filed a civil Suit (1303/1989) in the Madras High Court against M/s. Bala Movies and others for declaration that it is the owner of the

copyright of the film “Padikaadha Medhai”. The Suit is pending in Court and will come up for hearing in due course.

2. Raj Video Vision, has filed a civil suit (655/1987) in the Madras High Court against My Productions, a partnership firm and others for declaration that it is the absolute owner of the limited rights of the film titled "Poo Poova Poothirukku" and restraining defendants from infringing such rights. The Suit is pending in Court and will come up for hearing in due course.
3. Raj Video Vision, has filed a civil Suit (1370/1988) in the Madras High Court against Smt. Kaveri Manoharan, Sole proprietrix of My Productions and another for directing defendants to pay a sum of Rs.2 lakhs alleging breach of the agreement dated November 21, 1986. The Suit is pending in Court and will come up for hearing in due course.
4. Raj Video Vision has filed a Civil Suit (266/2005) against Mr. Kovaithambi, proprietor of Motherland Pictures and others in the Madras High Court for a declaration that it is the absolute owner of the copyrights of the film titled “Udhaya Geetham” and for restraining defendants from infringing its copyrights. The Suit is pending in court and will come up for hearing in due course.
5. Raj Video Vision, has filed a civil Suit (1303/1989) in the Madras High Court against M/s. Bala Movies and others for declaration that it is the owner of copyright of the film “Padikaadha Medhai”. The Suit is pending in Court and will come up for hearing in due course.

M/s. Rajendras

6. M/s. Rajendras, a partnership firm of the Promoters of the Company, has filed a civil suit (545/1997) in the Madras High Court against Sun TV and another for declaration that it is the absolute owner of the limited rights over the film titled "Pudhunellu Pudhunaathu" and for restraining defendants from infringing its rights. The Suit is pending in Court and will come up for hearing in due course. *
7. M/s. Rajendras has filed a Civil Suit (618/1997) in the Madras High Court against K. Shamugham, proprietor of Sudha Videos for declaration that it is the absolute owner of the limited rights of the film titled "Naan Valartha Poove" and for restraining defendant from infringing such rights. The suit is pending in Court and will come up for hearing in due course.
8. M/s. Rajendras has filed a Civil Suit (618/1997) in the Madras High Court against K. Shamugham, proprietor of Sudha Videos for declaration that it is the absolute owner of the limited rights of the film titled "Naan Valartha Poove" and for restraining defendant from infringing its rights. The suit is pending in Court and will come up for hearing in due course.
9. M/s. Rajendras has filed a Civil Suit (27/1996) in the Madras High Court against Sun TV and another for restraining defendants from infringing its limited rights relating to eight (8) pictures or songs, clippings and sequence as mentioned in the Plaint. The suit is pending in Court and will come up for hearing in due course.

*

Cases filed by the Group Company Vissa Television Limited

1. Vissa TV has filed a Civil Suit (O.S.302/03) against the E Tv in the XII Additional Civil Judge, City Civil Court, Hyderabad for declaration of its limited rights over 13 films. The Suit is pending in Court and will come up for hearing in due course.

Cases filed against the Group Company Vissa Television Limited

1. The Commissioner of Labour, Hydrebad has passed an Order for reinstatement and backwages of 18 employees of Vissa Television Network Limited. The monetary liability as per the Order is Rs. 17 Lakhs (approx.). The company had filed a Writ Petition before the Andhra Pradesh High Court challenging the above Order of the Labour Commissioner. The High Court has disposed of the Writ Petition with a direction to the Company to file a second appeal before the appropriate authority.

*

Raj Video Vision**Civil Cases against Raj Video Vision**

1. M/s. Poompuhar Productions has filed a Civil Suit (147/1998) against M/s. Raj Video Vision in the Madras High Court alleging infringement of copyright in a tamil feature film titled "Padatha Thenikkal". The Suit is pending in Court and will come up for hearing in due course.*
2. S.Jagannathan has filed a Civil Suit (1705/2005) against M/s. Raj Video Vision and others in the Madras High Court restraining Raj Video Vision from infringement of its video rights in respect of film "Badhaala Bhariavi and 18 other films. The Suit is pending in Court and will come up for hearing in due course.
3. Cine India has filed a Civil Suit (14/1991) against M/s. Raj Video Vision and others in the Madras High Court restraining defendants from infringement of copyright of video rights in respect of film "Idhayaveenai". The Suit is pending in Court and will come up for hearing in due course.
4. Sathya Movies has filed a Civil Suit (239/1997) against M/s. Raj TV in the Madras High Court for declaration that it is the absolute owner of the limited copyright of the filmtitled "Enga Chinna Rasa" for a period of 99 years and for restraining defendant from infringing its copyrights. The Suit is pending in Court and will come up for hearing in due course.

Material Developments since the Last Balance Sheet Date:

In the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability or the value of our consolidated assets or our ability to pay our material liabilities within the next 12 months.

GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

In view of the approvals listed below, we can undertake our current business activities. Appropriate applications from governmental or regulatory authorities or any other entity required for our business activities have been made by us. The Company has also received approvals from those of its lenders whose financing arrangements required it to obtain approvals in connection with the Issue. Unless otherwise stated, these approvals are all valid as of the date of this Draft Red Herring Prospectus.

Approvals to carry on our Business

1. Certificate of Incorporation No.18-27709 of 1994 issued by the Registrar of Companies, Tamil Nadu, dated 3rd June, 1994.
2. Certificate of Commencement of Business dated July 20, 1994 issued by the Registrar of Companies, Tamil Nadu
3. We uplink our channels using facilities of Shin Satellite Public Company Limited, Thailand. This company in turn has an agreement dated August 9, 1994 with the Communication Authority of Thailand, for uplink of television signal services for a period of twenty two years (22 yrs) until August 9, 2016.
4. Permanent Account Number AAACR 3580 P issued by Commissioner of Income Tax (Computer Operations), Chennai.
5. Tax Deduction Number CHER02242C issued by Income Tax officer TDS Ward II (3) Chennai.
6. Certificate of Importer- Exporter Code assigning IEC No.0400010798 by officer of the Joint Director (General) of Foreign Trade, Chennai.
7. Profession Tax No.TN/39836 issued by Regional Provident Fund Commissioner Tamil Nadu.
8. Service Tax Registration No. is Broadcasting/CH.II/1/STC and Assessee Code. No.0571790017.
9. Certificate of Sales Tax Registration TNGST No.0702086 under Tamil Nadu General Sales Tax Act, 1959.
10. Certificate of Sales Tax Registration CST No.790256 under Central Sales Tax Act, 1957.

Broadcasting Approvals applied for

1. We have applied to the Ministry of Information and Broadcasting, Government of India (MIB) on May 5, 2006 for registration of our channels Raj TV, Raj Digital, Raj Musix and Vissa TV under the Downlinking Guidelines dated November 11, 2005.

Other Pending Approvals

1. We have applied to the Foreign Investment Promotion Board (FIPB), Ministry of Finance, Government of India by a letter dated October 14, 2006 to permit investments by Foreign Institutional Investors (FIIs), NRIs, FVCIs and other QIBs upto 26% of the post issue paid up capital of the Company through the proposed public issue.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on 3rd July 2006 and by a Special Resolution adopted pursuant to Section 81(1A) of the Companies Act, at the Extraordinary General Meeting of the Company held on 27th July 2006 and by Selling Shareholders by their letter dated 11th September 2006.

Prohibition by SEBI

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market or restrained from buying, selling or dealing under any order or direction passed by SEBI.

Eligibility For The Issue

In terms of clause 2.2.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof, RAJ TELEVISION NETWORK LIMITED is eligible to make a Public Issue of equity shares as explained below:

Net Tangible Assets of the company are more than Rs. 3 Crores for past three years (of 12 months each) and of which not more than 50% is held in monetary assets.

Net worth of the company has been more than Rs. 1 Crore in each of the past three years.

The Company has a track record of distributable profits as per section 205 of the Companies Act, 1956 for at least three out of immediately preceding five years.

The proposed Offer size does not exceed five times the pre-offer net worth as per the audited accounts for the years ended on 31/03/2006.

The prospective allottees will not be less than one thousand (1000) in number.
The Company has not changed their name during the last one year.

The distributable profits as per Section 205 of the Companies Act, 1956, net worth, net tangible assets and monetary assets for the past three years are as follows:

Financial Year	2006	2005	2004	2003	2002
Distributable Profits (PAT after Adjustment)	35,607,565	29,775,486	36,669,633	46,215,141	47,302,422
Net worth	344,314,411	308,706,845	278,931,359	242,261,726	196,046,585
Net tangible Assets	523,158,159	515,931,337	524,113,903	408,326,617	370,258,994
Monetary Assets	54,452,061	54,401,555	49,209,894	19,845,292	25,577,082
Monetary Assets as a % of Net Tangible Assets	10.41%	10.54%	9.39%	4.86%	6.91%

SEBI DISCLAIMER CLAUSE

AS REQUIRED A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. LEAD MANAGER M/S. VIVRO FINANCIAL SERVICES PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES 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 COMPANY AND THE OFFEROR IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, 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, M/S. VIVRO FINANCIAL SERVICES PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 19th OCTOBER 2006 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS)REGULATION 1992

WHICH READS AS FOLLOWS:

(i) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE DRAFT HERRING PROSPECTUS PERTAINING TO THE SAID PUBLIC ISSUE.

(ii) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE PUBLIC ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(a) THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE PUBLIC ISSUE;

(b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID PUBLIC ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(c) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED PUBLIC ISSUE.

(d) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.

(e) WHEN UNDERWRITERS ARE APPOINTED, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS"

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED PUBLIC ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE LEAD MANAGER FOR ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

WE CERTIFY THAT WRITTEN CONSENT FROM OUR PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT 1956.

Caution

Our Company, the Selling Shareholders, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.rajtvnet.in, would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of understanding entered into among the BRLM, the Selling Shareholders and us, and the Underwriting Agreement to be entered into between the Underwriters, the Selling Shareholders and us.

All information shall be made available by us, the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Disclaimer In Respect Of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative

banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to permitted non-residents including FIIs registered with SEBI, and eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI, and eligible foreign investors, provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Chennai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulations under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause Of Bombay Stock Exchange Limited (BSE)

As required, a copy of the Draft Red Prospectus has been submitted to the BSE. The BSE has given the permission to Raj Television Network Limited vide their letter dated [*] to use BSE name in this Red Herring Prospectus as the stock exchange on which the equity shares are proposed to be listed. BSE has scrutinized this Draft Red Herring Prospectus for their limited internal purpose of deciding on the matter of granting the aforesaid permission to Raj Television Network Limited. The exchange does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
2. warrant that the securities will be listed or will continue to be listed on the Exchange, or
3. take any responsibility for the financial or other soundness of Raj TV, its promoters, its management or any scheme or project of Raj TV and it should not, for any reason be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this issuer may do so

pursuant to an independent inquiry or any investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of The National Stock Exchange Of India Limited (NSE)

As required, a copy of this Draft Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter No dated [*] permission to the Issuer to use the NSE name in this Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e. the Paid up capital shall not be less than Rs 10 crore and market capitalization shall no be less than 25 Crore at the time of listing) The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE that this Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquires any of the securities of the Company may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with the Corporate Finance Department of SEBI at First Floor, Mittal Court, "B" Wing, Nariman Point, and Mumbai 400021

A copy of the Draft Red Herring Prospectus, along with the documents required to be filed under 60B of the Companies Act would be delivered for registration to the Registrar of Companies, Tamil Nadu situated at Shashtri Bhavan, 26 Haddows Road, Chennai 600 034 and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with ROC.

Listing

Applications have been made to the BSE and the NSE for permission to deal in and for an official quotation of the Company's Equity Shares. . [•] shall be the Designated Stock Exchange with which the basis of allocation will be finalized for Institutional, non-institutional portion and retail portion.

If the permissions to deal in and for an official quotation of the Company's Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after the Company become liable to repay it (i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier), then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 working days of finalization and adoption of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue; and (b) Book Running Lead Manager, Syndicate Member, Escrow Collection Bank(s) and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Draft Red Herring Prospectus with the Registrar of Companies, Maharashtra, Mumbai as required under section 60 and 60 B of the companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the ROC.

M/s. Pratap Karan Paul & Co. Auditors of the Company, have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the ROC.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, the Company has not obtained any expert opinions.

Expenses of the Issue

The expenses of the Issue include interalia underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

The estimated Issue expenses are as follows:

	Particulars	Amount Rs. Lacs	% of Total Issue Size	% of Total Issue Expense
1	Book Running Lead Managers fees	[•]	[•]	[•]
2	Registrar to the Issue	[•]	[•]	[•]
	Banker to the Issue	[•]	[•]	[•]
4	Offer Stationery	[•]	[•]	[•]
5	Advertising Expenses	[•]	[•]	[•]
6	Brokerage and selling Commission	[•]	[•]	[•]
7	Legal Fees	[•]	[•]	[•]
8	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[•]	[•]	[•]
	Total	[•]	[•]	[•]

[•] Will be incorporated after finalization of issue price

Fees payable to the BRLM

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between the Company and the BRLM dated [•] a copy of which is available for inspection at the Registered Office of the company.

Fees payable to Registrar to the Public Issue

The total fees payable to the Registrar to the Public Issue will be as per the Memorandum of Understanding signed amongst the company and the Registrar to the Public Issue, a copy of which is available for inspection at the registered office of the company.

Fees payable to Bankers to the Public Issue

The total fees payable to the Bankers to the Public Issue will be as per the understanding of the Company with the Bankers to the Issue, a copy of which is available for inspection at the registered office of the company.

Underwriting Commission, Brokerage and Selling Commission

The Underwriting Commission is payable @ __ % of the amount underwritten by the respective underwriters. Brokerage for the Issue will be paid not more than @ __ % of the Issue Price of the Equity Shares by the Company on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/ Agents' codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

The Company, at its sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by the Company.

Previous Issue Details

The company has not made any issue of equity shares to the public prior to the present Public Issue.

Commission and brokerage on previous issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the equity shares since its inception.

Previous Issue of shares otherwise than for cash

The company has not issued any Equity Shares for consideration other than cash except for the Issues of bonus shares, details of which are mentioned under sub-heading "Capital Structure" appearing on page [•] of this Draft Red Herring Prospectus.

Particulars in regard to the company and other listed companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years

There are no listed companies under the same management within the meaning of Section 370(1B) of the companies Act, 1956, has made any capital issues during the last three years.

Promise v/s Performance

The company has not made any issue of equity shares to the public prior to the present Public Issue.

Outstanding Debentures or Bonds and Redeemable Preference Shares and Other Instruments issued by the company Outstanding as on the Date of Draft Red Herring Prospectus and Terms of Issue

The Company has no outstanding debentures or bond issue or redeemable preference shares.

Stock market data for the Company's Equity Shares

This being the initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

Investor grievance redressal system

The investor grievances against the Company will be handled by the Registrars and Transfer Agent in consultation with the secretarial department of the Company. To handle the grievances received, the Company has appointed Mr. B. Pushaparaj Company Secretary as the Compliance Officer. He will supervise redressal of complaints received from the investors at the office of the Company as well as the Registrars to the Public Issue and ensure timely settlement.

All grievances related to the offer may be addressed to the Registrar to the Public Issue quoting the application No. (Including prefix), Number of equity shares applied for, amount paid on application, date, Bank and branch/ Collection center where application was submitted.

Change in Auditors

There has been no change in the Auditors of the company during the past three years.

Capitalization of Reserves or Profits

The Company has issued 89,20,535 Equity Shares of Rs. 10/- each on 8th September 2006 as bonus shares in the ratio of 5:1 i.e. five equity shares for every one equity share held by the member, whose name appears in the register of members of the company as on 6th September 2006, by capitalization of free reserves.

Revaluation of assets

The company has not revalued its asset since the last five years.

H. OFFERING INFORMATION

I. TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company, conditions of RBI approval, the terms of this Draft Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

From the Company

The Issue has been authorized by a resolution of our Board dated July 3 2006 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at a general meeting of the shareholders of our Company held on July 27 2006.

Authority from the Selling Shareholders

The Selling Shareholders, by their letter dated September 11, 2006 have authorised the offer of their Equity Shares as part of the Offer for Sale. Based on the letters provided by the Selling Shareholders, we understand that they have not been prohibited from dealing in the securities market and the Equity Shares offered by them are free from any encumbrance.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles of Association and shall rank pari passu in all respects with the other existing shares of the Company including rights in respect of the rights to receive dividends. The allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of this Red Herring Prospectus at a price band of Rs. [•] to Rs. [•] per equity share with a floor price of Rs. [•] per equity share. At any given point of time there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws. The issue price is [•] times the face value at lower end of the price band and [•] times of the face value at the higher end of the price band.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;

- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of the Articles of Association" on page [•] in this Draft Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors. Since trading of the Equity Shares will in dematerialized mode, the tradable lot is one equity share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiple of one Equity Share subject to a minimum allotment of [•] Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Company's Registered / Corporate Office or to its Registrar and Transfer Agents.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a) to register himself or herself as the holder of the equity shares; or
- b) to make such allotment of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to allot the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with respective DP of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective DP.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the net offer to public, including devolvement of underwriters, within 60 days from the Bid/Issue Closing date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount (i.e., 60 days from the Bid Closing Date), the company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

In terms of clause 2.2.2A of SEBI (DIP) Guidelines, 2000, if the number of allottees in the proposed issue is less than 1,000 allottees, the Company shall forthwith refund the entire subscription amount received.

Restrictions, if any, on transfer and transmission of shares and their Consolidation/ Splitting

There are no restrictions on transfer and transmission of shares and their Consolidation/ Splitting other than those mentioned in Articles of Association of the Company.

ISSUE STRUCTURE

The Present Issue of 35,68,250 Equity Shares of Rs. 10/- each at a Price of Rs [.] for cash aggregating Rs [.] Lakhs is being made through the 100% Book Building Process :

Details of the Issue structure are tabulated below

	Employee Reservation Portion	QIBs	Non- Institutional Bidders	Retail Individual Bidders Bidders
Number of equity Shares available for allocation	Upto 3,24,384 Equity shares	Issue Size less allocation to Non-institutional investors and Retail Investors subject to maximum of 16,21,933 equity shares	Minimum of 4,86,580 equity Shares	Minimum of 11,35,353 equity shares
Percentage of Issue size	Upto 3,24,384 Equity shares.	Not more than 50% of Net Offer to Public. However, up to 5% of the QIB Portion shall be available for Allocation proportionately to Mutual Funds only.	Minimum 15% of Net Offer to Public.	Minimum 35% of Net Offer to Public.
Basis of Allocation	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	[*] Equity shares and thereafter in multiple of [*]Equity shares	Such number of Equity shares that the Bid Amount exceeds Rs 1,00,000 and in multiple of [*]equity shares	Such number of Equity shares that the Bid Amount exceeds Rs. 100,000 and in multiple of [*]Equity shares	[*] Equity shares and thereafter in multiple of [*]Equity shares.
Maximum Bid	Such number of Equity shares so as to ensure that the bid does not exceed 3,24,384 Shares	Not exceeding the size of the issue subject to regulation applicable to the Bidder	Not exceeding the size of the issue	Such number of equity shares so as to ensure that the bid Amount does not exceed Rs. 100,000
Allotment Mode	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot/ Market Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can apply	Permanent Employees of Company	Public financial Institutions, and as specified	Resident Indian individuals,	Individuals (including NRIs and HUFs) applying for such number

		in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial Banks, Mutual Funds registered with SEBI, multilateral and bilateral development financial institutions, venture Capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporation, Insurance Companies registered with Insurance Regulator and Development Authority, Provident Fund with minimum corpus of Rs. 25 Crores and Pension funds with minimum corpus of Rs. 25 Crores.	HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	of Equity shares that the Bid Does not exceed Rs 100,000.
Terms of Payment	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member
Margin Money	Full Bid Amount on Bidding	At least 10% of the Full Bid Amount	Full Bid Amount on Bidding	Full Bid Amount on Bidding

Note:

The Issue is being made through the 100% book building process wherein upto 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment

on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. At least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Under subscription in the Employee Reservation Portion shall be allowed to be met through over-subscription in the Retail Portion and the Non-Institutional Portion at the discretion of the Company, Selling Shareholders and the BRLM. Under-subscription, if any, in any other category, would be met with spill over from other categories at the discretion of the Company and the Selling Shareholders in consultation with the BRLM.

Withdrawal of the Issue

The Company in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

Bidding/Issue Programme

Bid/issue opens on :

Bid/issue closes on :

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid /Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

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

II. ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process under clause 2.2.2 of SEBI (DIP) Guidelines, 2000, wherein not more than 50% of the Issue shall be allotted on a proportionate basis to QIBs (including 5% to Mutual Funds). Further, not less than 35% shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% shall be available for allocation on a proportionate basis to Non-Institutional, subject to valid bids being received at or above the issue price within the Price Band.

Bidders are required to submit their Bids through the members of the Syndicate. The Company, in consultation with the BRLM, reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. Bidders will not have the option of allotment of equity shares in physical form. The equity shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note ("CAN"), and filing of the Prospectus with the ROC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Bid cum Application Form
Indian Public or NRIs applying on a non-repatriation	White
Non-Residents or FIIs on repatriation basis	Blue
Permanent Employees of the Company	Pink

Who can Bid?

1. Indian nationals resident in India who are majors in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;

3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares
4. Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital investors registered with SEBI;
8. State Industrial Development Corporations;
9. Multilateral and bilateral development financial institutions;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident Funds with minimum corpus of Rs. 25 Crores and who are authorized under their constitution to hold and invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 25 Crores and who are authorized under their constitution to hold and invest in Equity Shares;
13. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares;
14. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
15. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.

Note: The BRLM, Syndicate Members and any associate of the BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary, unless otherwise permitted by SEBI. Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant Regulations or statutory guidelines.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more

than 10% of any company's paid-up capital carrying voting rights. Further, bidders may bid as per the limits prescribed above.

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of equity shares to a single FII making investments on its own behalf should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital) Regulations, 2000 prescribe investments restriction on the venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, holding in the Company by any individual venture capital fund or foreign venture capital investors registered with SEBI should not exceed 25% of Company's paid-up capital.

The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of our Company's paid-up equity capital.

Bids by Mutual Funds

In case of a Mutual Fund, a Bid can be made in respect of each Scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No Mutual funds scheme shall invest more than 10% of its net asset value or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. NO Mutual fund under all its schemes should own more than 10% of any Company's paid up capital carrying voting rights.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size:

For Retail Individual Bidders:

The Bid must be for a minimum of [*] Equity Shares and in multiples of [*] Equity Shares thereafter, subject to maximum Bid amount of Rs.1,00,000. In case the maximum Bid amount is more than Rs.1,00,000/- due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off

option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase the equity shares at the final Issue Price as determined at the end of the Book Building Process.

For Non-Institutional Bidders and QIBs Bidders:

The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [*] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them.

Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision in the price band, the same would be considered for allocation under the Retail portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

For Employees of the Company and its subsidiaries:

The Bid must be for a minimum of [*] Equity shares and in multiples of [*] thereafter, subject to a maximum Bid for 3,24,384 shares.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids at Different Price Levels

- a) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share, Rs. [•] being the lower end of the Price Band and Rs. [•] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (Rupee One).
- b) Our Company and the Selling Shareholders in consultation with the BRLM, reserve the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Red Herring Prospectus.
- c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 (ten) days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Tamil newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Member.
- d) Our Company and the Selling Shareholders, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at aspecific price. Retail Individual Bidders and Bidders in the Employee

Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

- f) Retail Individual Bidders and Bidders in the Employee Reservation Portion who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Bidders in the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and the Bidders in the Employee Reservation Portion, who bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Bidders in the Employee Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Bidders in the Employee Reservation Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Bidders in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Option to Subscribe

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bids by eligible NRIs

Eligible NRI Bidders should comply with the following:

- 1) Individual Eligible NRIs can obtain the Bid Cum Application Forms from our Registered office, Our Corporate office, and members of the Syndicate or the Registrar to the Issue.
- 2) Eligible NRI Bidders may please note that not only such Bids as are accompanied by payment in free Foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through NRO Accounts shall use the BID Cum Application Form meant for resident Indians (White Colour)

Escrow Mechanism

Our Company, the Selling Shareholders and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Price from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form by drawing a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section titled “Issue Procedure” on page __ of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 (fifteen) days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled “Issue Structure” on page 186 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two (2) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/allotment, will be refunded to

such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The Syndicate Members will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis.
- (c) The consolidated demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centers, on a regular basis. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the first/sole Bidder;
 - Investor category – individual, corporate, NRI, FII, or mutual fund etc.;
 - Numbers of Equity Shares bid for;
 - Bid price;
 - Bid cum Application Form number;
 - Whether payment is made upon submission of Bid cum Application Form; and
 - Depository participant identification no. And client identification no. of the beneficiary account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees who Bid in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed in the section titled "Issue Procedure" on page ____ of this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

- (i) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
2. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Draft Red Herring Prospectus.
3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Tamil) and by indicating the change on the relevant websites and the terminals of the members of the Syndicate.
4. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
5. During the Bidding Period, any Bidder who has registered an interest in the equity shares at a particular price level is free to revise his/ her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
6. Revisions can be made in both the desired number of equity shares and the Bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form and revisions for all the options as per the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still complete the details of the other two options, that are not being revised in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
7. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed. **Bidders are advised to retain copies of the Blank Revision Form and the revised Bid must only be made on that Revision Form.**
8. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus.
9. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the member of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of having revised the previous Bid.**

10. In case of a discrepancy of data between BSE and NSE and the members of the Syndicate, the decision of the BRLM based on the physical records of the Bid cum Application Form shall be final and binding to all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLM shall analyze the demand generated at various price levels and discuss pricing strategy with the Company.
2. The Company, in consultation with the BRLM, shall finalize the "Issue Price" and the number of equity shares to be allotted and the allotment to successful QIB Bidders. The allocation to QIBs will be decided based on the quality of the QIB Bidder determined broadly by the size, price, date and time of the Bid.
3. The allocation for QIBs for not more than at least 50% of the Net Offer to the Public Size would be on proportionate basis. The allocation to Non-Institutional Bidders would not be less than 15% of the Net Offer to the Public and allocation to Retail Individual Bidders will not be less than 35% of the Net Offer the Public. Allocation to Non-Institutional Bidders, Retail Individual Buyers and to the Employees of the Company would also be made on proportionate basis, subject to the valid bids being received at or above the Issue Price.
4. Under subscription, if any, in any category (other than the allocation to QIBs portion), would be allowed to be met with Spillover over from any of the other categories, at the sole discretion of the Company, in consultation with the BRLM.
5. Allocation to QIBs, eligible Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for allotment of equity shares to them.
6. The BRLM, and the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders where the full Bid Amount has not been collected from the Bidders.
7. The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reason therefore.
8. In terms of SEBI Guidelines, QIB shall not be allowed to withdraw their Bid after the Bid. Closing Date.

Signing of Underwriting Agreement and ROC Filing

1. The Company, the BRLM, and the other members of the Syndicate shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
2. After the Underwriting Agreement is signed among the Company, the BRLM, and the other members of the Syndicate, the Company will file the Red Herring Prospectus with the ROC, which would then be termed 'Prospectus'. The Prospectus would have details of the Issue Price, size of the Issue, underwriting arrangements and would be complete in all material respects.

Advertisement Regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the ROC in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement, in

addition to the information (in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

1. The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated equity shares in the Issue, where the Margin Amount is less than 100%.
2. The Members of the Syndicate would send the CAN to their Bidders who have been allocated equity shares in the Issue. The dispatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the equity shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay the full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.
3. Bidders who have been allocated equity shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the equity shares allotted to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

1. The Company will ensure that the allotment of Equity shares is done within 15 days of the Bid Closing Date/ Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, the Company would ensure allotment of the Equity Shares to the allottees within two working days of the finalization of the date of allotment.
2. On the Designated Date, successful Bidders will receive credit for the equity shares directly in their depository account. **Equity shares will be allotted only in the dematerialized form to the allottees.** Successful Bidders will have the option to re-materialise the equity shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
3. Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be credited to their Depository Account allocated to them pursuant to Allotment in this Issue.
4. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would allot the Equity Shares to the allottees. We would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case we fail to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

General Instructions

Do's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete appropriate Application Form;
- Ensure that you Bid only in the Price Band;

- Ensure that the DP account is activated;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as there will be no allotment of equity shares in physical form;
- Ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have collected a TRS for all your Bid options; and submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

Don'ts

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise the Bid to a price that is less than the floor of the Price Band or higher than the cap of the Price Band;
- Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash; through Stock Invest, by money order or by postal order.
- Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- Do not Bid at Cut-off price if you are a for Non-Institutional Bidder or a QIB bidder;
- Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of equity shares that can be held by a Bidder under applicable law.
- Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

Bids and Revision of Bids

Bids and revision of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and NRIs applying on non-repatriation basis, blue colour for NRIs or FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis and pink colour for Permanent employees of the Company).
2. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form as incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
3. For Retail Individual Bidders, the Bids must be for a minimum of [*] equity shares and in multiples of [*] thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
4. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of equity shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [*] equity shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of equity shares that can be held by them under applicable laws.
5. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
6. Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

The name of the sole or first Bidder's bank, branch, type of account and account numbers must be mandatorily completed in the Bid cum Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. These bank account details should be the same as those mentioned in the Bidder's depository account, as those details will be printed on the refund orders. Bid cum Application Forms without these details are liable to be rejected. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same. It is the Bidder's responsibility to ensure that the details of the Bidder's depository account are correct.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT- IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis on name of the Bidders, Depository Participants name, Depository Participants Identification Number and Beneficiary Account Number provided by them in the Bid cum Application form, the Registrar to the Issue will obtain from the Depository, Demographic details of the bidders such as Address, Bank Account details, for printing on refund orders and occupation (hereinafter referred to as Demographic Details) hence, Bidders should carefully fill in their depository account details in the Bid cum Application Form.

These Demographic details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/Allocation Advice and printing of Bank particulars on the refund order.

Hence Bidders are advised to update their Depository Details as provided to the Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form the Bidder would have deemed to authorize the depositories to provide, upon request, to the registrar of the issue, the required demographic details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the bidder as per the demographic details received from the depositories. Bidders may note that delivery of Refund orders/Allocation Advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, address and other details given by the Bidder in the Bid cum Application form would be used to ensure dispatch of refund orders. Please note that any such delay will be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any such losses caused to the bidder due to any such delay or liable to pay any such interest for such delay.

In case no corresponding record is available with the depositories that match these parameters, namely, names of the bidders (including the order of names of joint holders), the Depository Participants Identity (DP ID) and the beneficiary's identity and then such bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or bye laws must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 25 Crores and pension funds with minimum corpus of Rs. 25 Crores, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with

the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the BRLM, may deem fit.

Bids by Non-Residents, NRIs and FIIs on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (Blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of [*] thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure - Maximum and Minimum Bid Size" on page [*]_Draft Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs, but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, including eligible NRIs and FIIs and all Non-Residents Bidders Bidders will be treated on the same basis with other categories for the purpose of allocation.

Further, NRIs who are not eligible NRIs are not permitted to Participate in this Issue.

Payment Instructions

The Company shall open an Escrow Account with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account of the Company

1. The Bidders for whom the applicable margin is equal to 100% shall, along with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.
2. In case the above margin amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder or the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - a. In case of Resident Bidders: **"Escrow Account — RTNL Public Issue"**
 - b. In case of Non Resident Bidders: **"Escrow Account – RTNL Public Issue -NR"**
 - c. In case of Permanent Employees of the Company **"Escrow Account- RTNL Public Issue - Employees"**

In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.

In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

4. Where a Bidder has been allocated a lesser number of equity shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the equity shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
5. Payments should be made by cheque or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the banker's clearinghouse located at the center where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stock Invest/Money Orders/Postal Orders will not be accepted.

Payment by Stock Invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn. Hence, payment through stock invest would not be accepted in this issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate during the Bidding / Issue Period. A member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder. No separate receipts shall be issued for the money paid on the submission of Bid cum Application Form or Revision Form.

Other Instructions

Joint Bids In The Case Of Individuals:

Bids may be made by individuals in single or joint names (not more than three). In the case of joint Bids, all refund amounts will be made only in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his/ her address.

Multiple Bids:

A Bidder should submit only one Bid (and not more than one) for the total number of equity shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of the scheme concerned for which the Bid has been made

The application made by the AMCs or custodians of the mutual funds shall clearly indicate the name of the concerned scheme for which application is being made.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in all or any categories.

PAN or GIR Number

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the Income Tax Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form.

Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration

to be filed by a person of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

Company Right to Reject Bids

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non Institutional Bidders and Retail Individual Bidders, the company has the right to reject Bids only on technical grounds. Consequent refunds will be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

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

- Amount paid does not tally with the amount payable for the highest value of equity shares bid for;
- Bank account details (for refund) are not given;
- Age of First Bidder not given;
- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- PAN photocopy/ PAN Communication/ Form 60/Form 61 declaration not given if Bid is for Rs.50,000 or more;
- UIN number not given for Body Corporate
- Bids for lower number of equity shares than specified for that category of investor;
- Bids at a price less than the floor of the Price Band and higher than the cap of the Price Band;
- Bids at cut-off price by a QIB or a Non Institutional Bidder;
- Bids for number of equity shares, which are not multiples of [.]
- Category not ticked;
- Multiple Bids;
- In case of Bid under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- Bid cum Application Form does not have the stamp of a member of the Syndicate;
- Bid cum Application Form does not have the Bidder's depository account details, including as specified below;
- Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/ Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Form;
- In case no corresponding record is available with the Depository that matches three parameters; name of bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number.
- Bids by US residents or US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of US Securities Act of 1933.

- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations (see the details regarding the same at page [.] of this Draft Red Herring Prospectus); or
- Bids not duly signed by the sole/joint Bidders.
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- Bids accompanied by Stock invest/money order/postal order/cash.

Equity Shares In Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a) An agreement dated [*] between NSDL, us and Registrar to the Issue;
- b) An agreement dated [*] between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
- The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
- If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares would be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details

of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Pre-Issue and Post Issue Related Problems

We have appointed Mr.B. Pushparaj Company Secretary , as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

32, Poes Road, Second Street,
Teynampet, Chennai 600 018
Tel: 91 44 2433 4149;
Fax 91 44 2434 1260

Disposal of Applications and Application Monies

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalization of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, which is reproduced below:

"Any person who:

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

Interest on Refund of Excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received by the company if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the

Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter no. F-8/6/SE/79 Dated July 21, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of Allocation

A. For Retail Individual Bidders

Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

The Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this portion is less than or equal to [*] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.

If the aggregate demand in this category is greater than [*] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum bid / application size of [*] Equity Shares and in multiples of [*] Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this category is less than or equal to [*] Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than [*] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [*] Equity Shares and in multiples of [*] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.

The Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

The allocation would be decided by the Company in consultation with the BRLM and would be on proportionate basis.

Procedure and Time Schedule for Allotment of equity shares

The Company reserves, at its absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date.

The Company will ensure allotment of equity shares within 15 days from the Bid/Issue Closing Date. The Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within two working days from the date of allotment.

Method of proportionate basis of allocation in the QIBs, Retail, Non-Institutional Portions:

In the event of the Issue being over-subscribed, the basis of allotment to QIBs, Retail and Non Institutional Bidders shall be finalized by the Company, in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of one share, on a proportionate basis as explained below subject to minimum allocation being equal to the [*]:

The subscription in the QIBs, Retail and the Non-Institutional portion will be computed separately.

If the aggregate demand in this category is greater than [*] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum bid/ application size of [*] Equity Shares and in multiples of [*] Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalization of basis of allocation. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; And We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Undertaking by our Company

We undertake as follows:

- That the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- That the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- That the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- That no further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue proceeds

Our Board of Directors certify that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilized out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilized;
- Details of all unutilized monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilized monies have been invested; and
- We shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Board further undertake that

The utilization of monies received under promoter's contribution and from firm allotments and reservation shall be disclosed under an appropriate head in the balance sheet of the issuer Company, indicating the purpose for which such monies have been utilized.

The details of all unutilized monies out of funds received under promoter's contribution and from firm allotments and reservation shall be disclosed under a separate head in the balance sheet of the issuer company, indicating the form in which such unutilized monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the broadcasting sector is not permitted under the automatic route.

Our Company consequently requires approvals from the FIPB for the issue of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue. By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Foreign Investment in Broadcasting

Foreign investment in India is regulated by the FDI Policy, Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Prior permission of the FIPB is required for foreign investment in this sector.

Broadcasting

The Foreign Exchange Management (Transfer or Issue of Shares to a Resident Outside India) Regulations, 2000 sets out the foreign investment permitted or prohibited in various sectors. Broadcasting is has been included in the list of activities set out in Annexure A to the Foreign Exchange Management (Transfer or Issue of Shares to a Resident Outside India) Regulations, 2000 for which Automatic Route of RBI for investment from person resident outside India is not available.

The Company has therefore applied to the FIPB for approval by their letter dated April 29, 2006 for the Issue of Equity Shares under this Public Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions and other eligible foreign investors upto 26% of the paid up equity capital of Broadcasting Initiatives Limited post the Issue.

Under Press Note No. 01 (2006) Series on Foreign Direct Investment (FDI) in Up-linking of TV Channels, FDI in the Up-linking of TV Channels is permitted as under:

1. FDI up to 49% is permitted with prior approval of the Government for setting up the Up-linking Hub/Teleport;
2. FDI up to 100% is allowed with prior approval of the Government for Up-linking a Non-News & Current Affairs TV Channel;

3. FDI (including investment by Foreign Institutional Investors (FIIs)) up to 26% is permitted with prior approval of the Government for Uplinking a News & Current Affairs TV Channel subject to the condition that the portfolio investment in the form of FII/ NRI deposits shall not be “persons acting in concert” with FDI investors.

A company permitted to uplink a channel is required to certify the continued compliance of the above requirement at the end of each financial year. While calculating foreign equity of the applicant company, the foreign holding component, if any, in the equity of the Indian shareholder companies of the applicant company is to be duly reckoned on a pro-rata basis, so as to arrive at the total foreign holding in the applicant company. However, the indirect FII equity in a company as on 31st March of the year is to be taken for the purposes of pro-rata reckoning of foreign holdings. Further, FDI in the Up-linking TV Channels will be subject to compliance with the Uplinking Guidelines and policy of the MIB as may be notified from time to time.

Uplinking Guidelines

Under the Uplinking Guidelines, certain specific rules are applicable to entities which uplink channels containing an element of News & Current Affairs content in their programming. Under the Uplinking Guidelines, foreign equity holding including FDI/FII/NRI investment in such companies is not to exceed 26% of the paid up equity of the company.

While calculating foreign equity of the Company, the foreign holding component, if any, in the equity of our Indian shareholder companies will be duly reckoned on pro-rata basis, so as to arrive at the total foreign holding in us. However, the indirect FII equity in us as on 31st March of the year would be taken for the purposes of pro-rata reckoning of foreign holdings.

Any change in the foreign direct investment in the Company is to be disclosed to the MIB, within 15 days of the occurrence thereof. Upon the finalization of the Basis of Allotment, our Company would also be required to notify the MIB, of the percentage of the foreign direct investment pursuant to this Issue.

Subscription by foreign investors (NRIs/FIIs)

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation. As per existing regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulations under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulations under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

I. DESCRIPTION OF EQUITY SHARES AND MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Description of Equity Shares

Described below is the material information concerning our share capital and brief summary of the material provisions of the Companies Act and our Charter documents. Certain Provisions will be applicable upon our equity shares being listed on the Stock Exchanges. The following description is not complete and should be read in conjunction with our Memorandum of Association and our Articles of Association and the relevant provisions of the Companies Act.

General

Our Authorised Share Capital is Rs 15,00,00,000 divided into 1,50,00,000 equity shares, each with par value of Rs. 10 each. The Equity shares are our only class of Share Capital. However our Articles and the Companies Act permit us to issue classes of securities other than equity shares for the purpose of these Red Herring Prospectus, "Shareholder" means a shareholder who is registered as a member in the register of members of our company.

SHARE CAPITAL AND VARIATION OF RIGHTS

- 5.(a) The Authorised Share Capital of the Company shall be as per paragraph V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and/or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.
- (b) Subject to the rights of Shareholders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such equity shares respectively at the commencement of the winding up.

INCREASE REDUCTION AND ALTERATION OF CAPITAL

6. The Company may from time to time in general meeting increase its share capital by the issue of new shares of such amounts as it thinks expedient.

On what conditions the new shares may be issued

- (a) Subject to the provisions of sections 80, 81 and 85 to 90 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto by the general meeting creating the same as shall be directed and if no direction be given as the Directors shall determine and in particular such shares may be issued subject to the provisions of the said sections with a preferential or qualified right to dividends and in distribution of assets of the Company and subject to the provisions of the said sections with special or without any right of voting and subject to the provisions of Section 80 of the Act any preference shares may be issued on the terms that they are or at the option of the Company are liable to be redeemed.

Further Issue of Shares

- (b) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares whether out of the unissued capital or out of the increased share capital then:
- (i) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capita paid up on those shares at the date.
 - (ii) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
 - (iii) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.

PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person is whose favour any member may renounce the shares offered to him.
 - (iv) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.
- (c) Notwithstanding anything contained in (iii) of sub-clause (b) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of (iii) of sub-clause (b) hereof) in any manner whatsoever.
- (i) If a special resolution to that effect is passed by the Company in General Meeting, or
 - (ii) Where no such special resolutions is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (d) Nothing in sub-clause (ii) of (b) hereof shall be deemed:
- (i) To extend the time within which the offer should be accepted; or
 - (ii) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (e) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
- (i) To convert such debentures or loans into shares in the Company; or

- (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and
- (ii) in the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

Directors may allot shares as fully paid up

- (f) Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the capital of the Company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up shares as the case may be.

Same as original capital

- (g) Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls, installments, transfers, transmission, forfeiture, lien, surrender, voting and otherwise.

- 6.A The Company may, with the approval of its shareholders in the general meeting, issue shares with differential rights as to voting, dividend or otherwise in accordance with such rules and subject to such conditions as may be prescribed by a law or regulation
- 6.B The Company may issue equity shares to employees or directors at a discount subject to the conditions specified in Section 78 of the Act.

Power to issue Redeemable Preference Shares

- 7.(a) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the Company may issue preference shares, which are or at the option of the Company are liable to be redeemed;

Provided that:

- (i) no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of Shares made for the purpose of redemption;
- (ii) no such shares shall be redeemed unless they are fully paid;

- (iii) the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account before the shares are redeemed;
 - (iv) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the capital redemption reserve account", a sum equal to the nominal amount of the shares redeemed; and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the capital redemption reserve account were paid up share capital of the Company.
- (b) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the redemption of preference shares may be effected on such terms and in such manner as may be provided in these Articles or by the terms and conditions of their issue and subject thereto in such manner as the Directors may think fit.
- (c) The redemption of preference shares under these provisions by the Company shall not be taken as reducing the amount of its authorised Share Capital.
- (d) Where in pursuance of this Article, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares up to the nominal amount of the shares redeemed or to be redeemed as if those shares had never been issued; and accordingly the Share Capital of the Company shall not, for the purpose of calculating the fees payable under Section 611 of the Act, be deemed to be increased by the issue of shares in pursuance of this clause.
- Provided that where new shares are issued before the redemption of the old shares, the new shares shall not so far as relates to stamp duty be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the new shares.
- (e) The Capital Redemption Reserve Account may, notwithstanding anything in this Article, be applied by the Company, in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

Provision in case of Redemption of preference Shares

8. The Company shall be at liberty at any time, either at one time or from time to time as the Company shall think fit, by giving not less than six months' previous notice in writing to the holders of the preference shares to redeem at par the whole or part of the preference shares for the time being outstanding, by payment of the nominal amount thereof with dividend calculated up to the date or dates notified for payment (and for this purpose the dividend shall be deemed to accrue and due from day to day) and in the case of redemption of part of the preference shares the following provisions shall take effect:
- (a) The shares to be redeemed shall be determined by drawing of lots which the Company shall cause to be made at its registered office in the presence of one Director at least; and
 - (b) Forthwith after every such drawing, the Company shall notify the shareholders whose shares have been drawn for redemption its intention to redeem such shares by payment at the registered office of the Company at the time and on the date to be named against surrender of the Certificates in respect of the shares to be so redeemed and at the time and date so notified each such shareholder shall be bound to surrender to the Company the Share Certificates in respect of the Shares to be redeemed and thereupon the Company shall pay the amount payable to such shareholders in respect of such

redemption. The shares to be redeemed shall cease to carry dividend from the date named for payment as aforesaid. Where any such certificate comprises any shares, which have not been drawn for redemption, the Company shall issue to the holder thereof a fresh certificate therefore.

Reduction of capital

9. The Company may from time to time by special resolution, subject to confirmation by the court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its share capital and any Capital Redemption Reserve Account or premium account in any manner for the time being authorised by law and in particular without prejudice to the generality of the foregoing power may be:
- (a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up share capital which is lost or is unrepresented by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares pay off any paid up share capital which is in excess of the wants of the Company; and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.

Modifications of rights

12. If at any time the share capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power, which the Company would have if this Article were omitted. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined in Article 102 is not present, those persons who are present shall be quorum.

SHARES AND CERTIFICATES

Issue of further shares not to affect right of existing shareholders

13. The rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise be deemed to be varied or modified or affected by the creation or issue of further shares ranking *pari passu* therewith.

Provisions of Sections 85 to 87 of the Act to apply

14. The provisions of Sections 85 to 87 of the Act in so far as the same may be applicable shall be observed by the Company.

Shares at the disposal of the Directors

19. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot

or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold any transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

Every share transferable etc.

20. (i) The shares or other interest of any member in the Company shall be a movable property, transferable in the manner provided by the Articles.
- (ii) Each share in the Company shall be distinguished by its appropriate number.
- (iii) A Certificate under the Common Seal of the Company, specifying any shares held by any member shall be prima facie, evidence of the title of the member of such shares.

Acceptance of Shares

23. An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purpose of these Articles be a member. The Director shall comply with the provisions of Sections 69, 70, 71, 72 and 73 of the Act in so far as they are applicable.

Deposits and calls etc. to be a debt payable immediately

24. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, immediately, on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt, due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Trusts not recognized

25. Except as ordered by any Court of competent jurisdiction or as required by any law, Company shall be entitled to treat the person whose name appears on the Register of Members as the holders of any share or where the name appears as the Beneficial Owner of the shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivors or survivors of them.

Issue of Certificates of Shares to be governed by Section 84 of the Act etc.

26. (a) The issue of certificates of shares or of duplicate or renewal of certificates of Shares shall be governed by the provisions of Section 34 and other provisions of the Act, as may be applicable

and by the Rules or notifications or orders, if any, which may be prescribed or made by competent authority under the Act or Rules or any other law. The Directors may also comply with the provisions of such rules or regulations of any stock exchange where the shares of the Company may be listed for the time being.

Certificate of Shares

- (b) The certificate of title to shares shall be issued under the Seal of the Company and shall be signed by such Directors or Officers or other authorised persons as may be prescribed by the Rules made under the Act from time to time and subject thereto shall be signed in such manner and by such persons as the Directors may determine from time to time.
- (c) The Company shall comply with all rules and regulations and other directions, which may be made by any competent authority under Section 84 of the Act.

CALLS

Directors may make calls

- 31. The Directors may from time to time and subject to Section 91 of the Act and subject to the terms on which any shares/debentures may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) and upon sanction of the company in General Meeting make such calls as they think fit upon the members/debenture holders in respect of all moneys unpaid on the shares/debentures held by them respectively and such member/debenture holders shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine.

Notice of call

- 33. Thirty days notice in writing shall be given by the Company of every calls made payable otherwise than on allotment specifying the time and place of payment provided that before the time of payment of such call, the Directors may by notice in writing to the members/debenture holders revoke the same.

LIEN

Company's lien on Shares/Debentures

- 44. The Company shall have a first and paramount lien on every share/ debenture (not being a fully paid share/ debenture for all moneys) (whether presently payable or not) called or payable at a fixed time in respect of that share/ debenture. The Company's lien if any, on a share/ debenture extends to all dividends/ bonuses payable thereon. Unless otherwise agreed, the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares or debentures".

As to enforcing lien by sale

- 45. For the purpose of enforcing such lien, the Board may sell the shares/debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and/or debentures and may authorize one of their member or appoint any officer or agent to execute a transfer thereof on behalf of and in the name of such member/debenture holder. No sale shall be made until such period, as may be stipulated by the Board from time to time, and until notice in writing of the intention to sell shall have been served on such member and/or debenture holder or his legal representatives and default shall have been

made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

FORFEITURE

If call or installment not paid notice must be given

47. (a) If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any share or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or any installment or any part thereof or other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.

Form of Notice

- (b) The notice shall name a day not being less than One Month from the date of the notice and a place or places, on and at which such call, or installment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or installment or such part or other moneys is or are payable will be liable to be forfeited.

Effect of forfeiture

53. The forfeiture of a share or debenture shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share or debenture, except only such of those rights as by these Articles are expressly saved.

Certificate of forfeiture

54. A Certificate in writing under the hand of one Director and counter signed by the Secretary or any other officer authorised by the Directors for the purpose, that the call in respect of a Share or debenture was made and notice thereof given and that default in payment of the call was made and that the forfeiture of the share or debenture was made by the resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

Register of transfers

59. The Company shall keep a book to be called the "Register of transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

- 59.A) In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in any electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

Instrument of transfer

60. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies ACT, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

Instrument of transfer to be executed by transferor and transferee

61. Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of members in respect thereof.

Directors may refuse to register transfer

62. (a) Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.
- (b) Nothing in Sections 108, 109 and 110 of the Act shall prejudice this power to refuse to register the transfer of or the transmission on legal documents by operation of law of the rights to, any shares or interest of a member in any shares or debentures of the Company.

Transfer of shares

63. (a) An application of registration of the transfer of shares may be made 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 and subject to the provisions of Clause (d) of this Article, 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 of members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company along with the Certificate relating to

the shares and if no such Certificate is in existence, along with the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.

- (d) Nothing in clause (c) above shall prejudice any power of the company to register as shareholder any person to whom the right to any share has been transmitted by operation of law.
- (e) The company shall accept all applications for transfer of shares/debentures; however, this condition shall not apply to requests received by the company;
 - (A) for splitting of a share or debenture certificate into several scripts of very small denominations;
 - (B) proposals for transfer of shares/debentures comprised in a share/debenture certificate to several parties involving, splitting of a share/debenture certificate into small denominations and that such split/transfer appears to be unreasonable or without any genuine need.
 - (i) transfer of Equity shares/debentures made in pursuance of any statutory provision or an order of a competent court of law;
 - (ii) the transfer of the entire Equity shares/debentures by an existing shareholder/debenture holder of the Company holding under one folio less than 10 (ten) Equity Shares or 10 (ten) debentures (all relating to the same series) less than in market lots by a single transfer to a single or joint transferee.
 - (iii) the transfer of not less than 10 (ten) Equity shares or 10 (ten) debentures (all relating to the same series) in favour of the same transferee(s) under two or more transfer deeds, out of which one or more relate(s) to the transfer of less than 10 (ten) Equity Shares/10 (ten) debentures.
 - (iv) the transfer of less than 10 (ten) Equity shares or 10 (ten) debentures (all relating to the same series) to the existing share holder/debenture holder subject to verification by the Company.

Provided that the Board may in its absolute discretion waive the aforesaid conditions, in a fit and proper case(s) and the decision of the Board shall be final in such case(s).

- (f) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Transfer books and Register of members when closed

65. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate, to close the Transfer books, the Register of members or Register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in each year.

Transfer to Minors etc.

66. Only fully paid shares or debentures shall be transferred to a minor, acting through his/her legal or natural guardian. Under no circumstances, shares or debentures be transferred to any insolvent or a person of unsound mind.

Title to shares of deceased holder

67. The executors or administrators of a deceased member (not being one or two or more joint holders) or the holder of a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognize as having any title to the shares registered in the name of such member, and the Company shall not be bound to recognize such executors or administrators or the legal representatives unless they shall have first obtained probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with the production of probate or Letters of Administration or a Succession Certificate upon such terms as to indemnity or otherwise as the Directors in their absolute discretion may think necessary and under Article 70 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

Directors may require evidence of transmission

73. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

JOINT HOLDERS**Joint holders**

77. Where two or more persons are registered as the holders of any share/debentures, they shall be deemed (so far as the Company is concerned) to hold the same as joint tenants with benefits of survivorship, subject to the following and other provisions contained in these Articles.

No transfer to more than four persons as joint holders

- (a) The joint holders of any share/debenture shall be liable severally four persons as the holders of any share/debenture.

Transfer by joint holders

- (b) In the case of a transfer of shares/debentures held by joint holders, the transfer will be effective only if it is made by all the joint holders.

Liability of joint holders

- (c) The joint holders of any share/debenture shall be liable severally as well as jointly for and in respect of all calls or installments and other payments which ought to be made in respect of such share/debenture.

Death of one or more joint holders

- (d) On the death of any one or more of such joint holders the survivor/survivors shall be the only person or persons recognized by the Company as having any title to the share/debenture, but the Directors may require such evidence of death as they may deem fit, and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares/debentures held by him jointly with any other person

Receipt of one sufficient

- (e) Any one of such joint holders may give effectual receipts of any dividends, interests or other moneys payable in respect of such share/debenture.

Delivery of certificate and giving of notices to first named holder

- (f) Only the person whose name stands first in the Register of Members/debenture holders as one of the joint holder of any shares/debentures shall be entitled to the delivery of the certificate relating to such share/debenture or to receive notice (which expression shall be deemed to include all documents as defined in Article (2)(a) hereof and any document served on or sent to such person shall be deemed service on all the joint holders.

Vote of joint holders

- (g)
 - (i) Any one of two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall be entitled to be present at the meeting provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to a joint holder present by Attorney or by proxy although the name of such joint holder present by an Attorney or proxy stands first or higher (as the case may be) in the Register in respect of such shares.
 - (ii) Several executors or administrators of a deceased member in whose (deceased member) sole name any share stands shall for the purpose of this clause be deemed joint holders.

BORROWING POWERS

Restriction on powers of the Board

- 78. The Board of Directors shall not, except with the consent of the Company in general meeting and subject to Article 172 of the Articles of Association of the Company:
 - a) sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.
 - (b) remit, or give time for the repayment of any debt due by a Director.
 - (c) invest, otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition after the commencement of this Act, of any such undertaking as is referred to in clause (a) or of any premises or

properties used or any such undertaking and without which it can not be carried on or can be carried on only with difficulty or only after a considerable time.

- (d) borrow monies where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.
- (e) contribute, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever, " is greater.

Explanation: Every resolution passed by the Company in general meeting in relation to the exercise of the power referred to in clause (d) or in clause (e) shall specify the total amount up to which money may be borrowed by the Board of Directors under clause (d) or as the case may be, the total amount which may be contributed to charitable and other funds in any financial year under clause (e),

Conditions on which money may be borrowed

- 79. The Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable, debenture or debenture stocks or any mortgage or charge or other security on the undertaking of the whole or any part of the property of the company (both present and future) including its uncalled capital for the time being.

Bonds, debentures etc. to be subject to the control of directors

- 80. Any bonds, debentures, debenture stocks or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

Provided that bonds, debentures, debenture stock or other securities so issued or to be issued by the Company with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting by a special resolution.

SHARE WARRANTS

Powers to issue share warrants

- 87. The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115 of the Act and accordingly, the Board may, in its discretion, with respect to any share which is fully paid upon application in writing signed by the persons registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time require as to the identity of the person signing the application, and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

Deposit of share warrants

88. (a) The bearer of a share warrant may at any time deposit the warrant at the office of the Company and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending, and voting, and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of members as the holder of the share included in the deposited warrant.
- (b) Not more than one person shall be recognized as depositor of the Share Warrant.
- (c) The Company shall on two days' written notice return the deposited share warrant to the depositor.

GENERAL MEETINGS

Annual General Meeting

93. Subject to the provisions contained in Sections 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the Notice calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

Provided that if the Registrar for any special reason, extends the time within which any annual general meeting shall be held, then such annual general meeting may be held within such extended period.

Summary of Annual General Meeting

The Company may in any one general meeting fix the place for its any annual general meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any general meeting, which he attends on any part of the business which concerns him as Auditor. At every annual general meeting of the Company, there shall be laid on the table, the Director's report, the audited statements of accounts and auditor's report (if any, not already incorporated in the audited statements of accounts). The proxy registered with the Company and Register of Director's Share holdings of which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to prepare the Annual list of members, summary of Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

Time and place of Annual General Meeting

94. Every annual general meeting shall be called at any time during business hours, on a day that is not a public holiday, and shall be held either at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situate, and the notice calling the meeting shall specify it as the annual general meeting.

Sections 171 to 186 of the Act shall apply to meetings

95. Sections 171 to 186 of the Act with such adaptations and modifications, if any, as may be prescribed shall apply with respect to meetings of any class of members or debenture holders of the Company in like manner as they apply with respect to general meetings of the Company.

Powers of Directors to call Extraordinary General Meeting

96. The Directors may call an extraordinary general meeting of the Company whenever they think fit.

Calling of Extra Ordinary General Meeting on requisition

97. (a) The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in clause (d) of this Article, forthwith proceed duly to call an Extraordinary general meeting of the Company.
- (b) The requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists and shall be deposited at the registered office of the Company.
- (c) The requisition may consist of several documents in like form, each signed by one or more requisitionists.
- (d) The number of members entitled to requisition a meeting in regard to any matter shall be such number of them as hold at the date of the deposit of the requisition not less than one tenth of such of the paid up share capital of the Company as at that date carried the right of voting in regard to that matter.
- (e) Where two or more distinct matters are specified in the requisition the provisions of clause (d) above, shall apply separately in regard to each such matter; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that clause is fulfilled.
- (f) If the Board does not, within twenty one days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters then on a day not later than forty five days from the date of the deposit of the requisition, the meeting may be called:
- (i) by the requisitionists themselves;
- (ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of such of the paid-up share capital of the Company as is referred to in clause (d) above, whichever is less.

Explanation: For the purpose of this clause, the Board shall in the case of a meeting at which resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by sub-section 189 of the Act.

- (g) A meeting, called under clause (f) above, by the requisitionists or any of them:
- (i) shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board; but
- (ii) shall not be held after the expiration of three months from the date of the deposit of the requisition.

Explanation: Nothing in clause (g) (ii) above shall be deemed to prevent a meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some day after the expiry of that period.

- (h) Where two or more persons hold any shares or interest in the Company jointly, a requisition, or a notice calling a meeting, signed by one or some of them shall, for the purposes of this Article, have the same force and effect as if it had been signed by all of them.
- (i) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company: and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

Length of notice for calling meeting

98. (a) A general meeting of the Company may be called by giving not less than twenty one days' notice in writing.
- (b) A general meeting of the Company may be called after giving shorter notice than that specified in clause (a) above, if consent is accorded thereto;
- (i) in the case of an annual general meeting by all the members entitled to vote thereat: and
 - (ii) in the case of any other meeting, by members of the Company holding not less than 95 (ninety five) per cent of such part of the paid up capital of the Company as gives a right to vote at the meeting;

Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the purposes of this clause in respect of the former resolution or resolutions and not in respect of the latter.

Quorum for meeting

- 101 (a) Five members personally present shall be the quorum for a general meeting of the company.

If quorum not present meeting to be dissolved or adjourned

- (b) (i) If within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if called upon by requisition of members, shall stand dissolved.
- (ii) In any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place, as the Board may determine.

Adjourned meeting to transact business

- (c) If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be the quorum.

Presence of quorum

102. (a) No business shall be transacted at any general meeting unless the requisite quorum be present at the commencement of the business.

Business confined to election of chairman whilst chair vacant

- (b) No business shall be discussed or transacted at any general meeting except the election of a Chairman whilst the Chair is vacant.

Chairman of general meeting

- (c) (i) The Chairman of the Board of Directors shall be entitled to take the chair at every general meeting. If there be no Chairman or if at any meeting he shall not be present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be the Chairman and in default of their doing so, the members present shall choose one of the Directors to be Chairman and if no Directors present be willing to take the chair, the members present shall choose one of themselves to be the Chairman.
- (ii) If at any meeting a quorum of members shall be present, and the Chair shall not be taken by the Chairman or Vice Chairman of the Board or by a Director at the expiration of 15 (fifteen) minutes from the time appointed for holding the meeting or if before the expiration of that time all the Directors shall decline to take the Chair, the members present shall choose one of their members to be the Chairman of the meeting.

Chairman with consent may adjourn the meeting

- (d) The Chairman with the consent of the meeting may adjourn any meeting from time to time and from place to place in the city, town or village where the registered office of the Company is situate.

Business at adjourned meeting

- (e) No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

Notice of adjourned meeting

- (f) When a meeting is adjourned only for thirty days or more, notice of the adjourned meeting shall be given as in the case of original meeting.

In what cases poll taken with or without adjournment

- (g) Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith, save as aforesaid, any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

Proxies

103. (a) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in the case of joint

holders all holders) shall not appoint more than one person as proxy. A proxy so appointed shall not have any right to speak at the meeting.

Provided that unless where the proxy is appointed by a body corporate a proxy shall not be entitled to vote except on a poll.

- (b) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and that a proxy need not be a member.
- (c) The instrument appointing a proxy or any other document necessary to show the validity or otherwise relating to the appointment of a proxy shall be lodged with the Company not less than 48 (forty eight) hours before the meeting in order that the appointment may be effective thereat.
- (d) The instrument appointing a proxy shall :
 - (i) be in writing, and
 - (ii) be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

Form of proxy

- (e) Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in usual common form.
- (f) An instrument appointing a proxy, if in any of the forms set out in Schedule IX to the Act shall not be questioned on the ground that it fails to comply with any special requirements specified for such instrument by these Articles.
- (g) Every member entitled to vote at a meeting of the Company, or on any resolution to be moved thereat, shall be entitled during the period beginning 24 (twenty four) hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged at any time during the business hours of the Company, provided not less than 3 (three) days' notice in writing of the intention so to inspect is given to the Company.

VOTES OF MEMBERS

Restrictions on exercise of voting rights of members who have not-paid calls

- 104. (a) No member shall exercise any voting right 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 and has exercised any right of lien.
- (b) Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187B of the Act.

Restriction on exercise of voting right in other cases to be void

- 105. A member is not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 104.

Equal rights of shareholders

106. Any shareholder whose name is entered in the Register of members of the Company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class,

Voting to be by show of hands in first instance

107. Any general meeting a resolution put to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.
108. (a) Subject to the provisions of the Act, upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.

No voting by proxy on show of hands

- (b) No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by proxy or by a representative duly authorised under Sections 187 or 187A of the Act, in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

How members non compos minutes and minor may vote

- (c) A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on poll vote by proxy; if any member be a minor the vote in respect of his share or shares shall be by his guardians or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.

Votes in respect of shares of deceased or insolvent members etc.

- (d) Subject to the provisions of the Act and other provisions of these Articles, any person entitled under the transmission clause to any shares may vote at any general meeting in respect thereof as if he was the registered holder of such shares, provided that at least 48 (forty eight) hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

Custody of Instrument

- (e) if any such instrument or appointment be confined to the object of appointing proxy or substitute for voting at meetings of the Company, it shall remain permanently or for such time as the Directors may determine in the custody of the Company; if embracing other objects a copy thereof examined with the original, shall be delivered to the Company to remain in the custody of the Company.

Validity of votes given by proxy notwithstanding death of members etc

- (f) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the Company before the meeting.

Time for objections for vote

- (g) No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally or by an agent or proxy or representative not disallowed at such meeting or poll shall be deemed valid for all purpose of such meeting or poll whatsoever.

Chairman of any meeting to be the judge of any vote

- (h) The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Chairman's declaration of result of voting by show of hands to be conclusive

109. A declaration by the Chairman in pursuance of Section 177 of the Act that on a show of hands, a resolution has or has not been carried, either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

Casting Vote

115. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the polls is demanded shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a member.
- 115.A. Subject to the provisions of Section 192A of the Act, the Company may pass a resolution by means of postal ballot instead of transacting the business in general meeting

Representation of Body Corporate

116. A body corporate (whether a Company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the Company may in accordance with the provisions of Section 187 of the Act authorize such person by a resolution of its Board of Directors as it thinks fit, to act as its representative at any meeting of the Company or of any class of members of the Company or at any meeting of creditors of the Company.

Representation of the President of India or Governors

117. (a) The President of India or the Governor of a State if he is a member of the Company may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company in accordance with provisions of Section 187A of the Act or any other statutory provision governing the same.
- (b) A person appointed to act as aforesaid shall for the purposes of the Act be deemed to be a member of such a Company and shall be entitled to exercise the same rights and powers (Including the right to vote by proxy) as the President or as the case may be the Governor could exercise, as a member of the Company.

Public Trustee

- (c) The Company shall observe the provisions of Section 187B of the Act, in regard to the Public Trustee.

Circulation of member's resolution

118. The Company shall comply with provisions of Section 188 of the Act, relating to circulation of member's resolutions.

Resolution requiring special notice

119. The Company shall comply with provisions of Section 190 of the Act relating to resolution requiring special notice.

Resolutions passed at adjourned meeting

120. The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company, or of the holders of any class of shares in the Company and of the Board of Directors of the Company and the resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any earlier date.

MANAGERIAL PERSONNEL

Managerial Personnel

126. The Company shall duly observe the provisions of Section 197A of the Act regarding prohibition of simultaneous appointment of different categories of managerial personnel therein referred to.

BOARD OF DIRECTORS

Board of Directors

127. Unless otherwise determined by the Company in General Meeting the number of Directors shall not be less than three and not more than twelve.

The First Directors of the Company shall be:

- | | |
|-----------------------|-----------------------------|
| 1. Mr. M. Rajendran | 5. Mr. V. Thiagaraja Pillai |
| 2. Mr. M. Rajaratnam | 6. Mr. N.R. Krishnamoorthy |
| 3. Mr. M. Raveendran | 7. Mr. K.R. Gangadharan |
| 4. Mr. M. Reghunathan | |

Appointment of Senior Executives as Whole time Directors

128. (a) Subject to the provisions of the Act and within the overall limit prescribed under these Articles for the number of Directors on the Board, the Board may appoint any Senior Executive of the Company as a Whole time Director of the Company for such period and upon such terms and conditions as the Board may decide. The Senior Executive so appointed shall be governed by the following provisions:
- (i) He shall be liable to retire by rotation as provided in the Act but shall be eligible for reappointment. His reappointment as a Director shall not constitute a break in his appointment as Wholetime Director.
 - (ii) He shall be reckoned as Director for the purpose of determining and fixing the number of Directors to retire by rotation.
 - (iii) He shall cease to be a Director of the Company on the happening of any event specified in Sections 283 and 314(2C) of the Act. He shall cease to be a Director of the Company, if for any reason whatsoever, he ceases to hold the position of

Senior Executive in the Company or ceases to be in the employment of the Company.

- (iv) Subject to what is stated hereinabove he shall carry out and perform all such duties and responsibilities as may, from time to time, be conferred upon or entrusted to him by the Managing Director and/or the Board, shall exercise such powers and authorities subject to such restrictions and conditions and/or stipulations as the Managing Director/s and/ or the Board may, from time to time determine.
- (b) Nothing contained in this Article shall be deemed to restrict or prevent the right of the Board to revoke, withdraw, alter, vary or modify all or any of such powers, authorities, duties and responsibilities conferred upon or vested in or entrusted to such whole time directors.

Debenture Director

129. Any Trust Deed for securing debentures or debenture stocks, may, if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of debentures or debenture stocks, of some person or persons to be a Director or Directors of the Company and may empower such Trustees or holders of debentures or debenture stocks from time to time, to remove and reappoint any Director/s so appointed. The Director/s so appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director(s) shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

Nominee Director

130. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), The Industrial Credit and Investment Corporation of India Ltd. (ICICI), Industrial Finance Corporation of India (IFCI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Finance Company or Body out of any loans granted by them to the Company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other Financing Company or Body (each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance 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 as a result of underwriting or 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 a Director or Directors whole time or non whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. 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 rotation of Directors. Subject as aforesaid, the Nominee Director/ s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any money remain owing by the Company to 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 any guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation is paid off or on the Corporation ceasing to hold debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of any 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 member/s 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 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 same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or by 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 Director/s.

Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fee in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Provided further that if such Nominee Director/s is an officer of the Reserve Bank of India the sitting fees in relation to such Nominee Director/s shall also accrue to IDBI and the same shall accordingly be paid by the Company directly to IDBI.

Provided also that in the event of the Nominee Director/s being appointed as Whole time Director/s such Nominee Director/s shall exercise such powers and duties as may be approved by the Lenders and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Borrower. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Lenders.

Special Director

131. (a) In connection with any collaboration arrangement with any company or corporation or firm or person for supply of technical know-how and/or machinery or technical advice, the Directors may authorize such Company, Corporation, firm or person (hereinafter in this clause referred to as "Collaborator") to appoint from time to time any person or persons as Director or Directors of the Company (hereinafter referred to as "Special Director") and may agree that such Special Director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for the office of such Director, so however, that such Special Director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such Collaborator under the collaboration arrangements or at any time thereafter.
- (b) The collaborator may at any time and from time to time remove any such Special Director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time, appoint any other person as

a Special Director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.

- (c) It is clarified that every collaborator entitled to appoint a Director under this Article may appoint one or more such person or persons as a Director(s) and so that if more than one Collaborator is so entitled there may at any time be as many Special Directors as the Collaborators eligible to make the appointment.

Appointment of Alternate Director

- 132. (a) The Board of Directors of the Company may appoint an alternate Director to act for a Director (hereinafter in this Article called "the Original Director") during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.
- (b) An alternate Director appointed under this Article shall not hold office as such for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to the State in which meeting of the Board are ordinarily held.
- (c) If the term of office of the Original Director is determined before he returns to the State aforesaid any provision for the automatic reappointment of retiring directors in default of another appointment shall apply to the original and not to the alternate director.

Appointment of Additional Directors

- 133. Subject to the provisions of Section 260 of the Act, the Board of Directors shall have power at any time to appoint any person as an additional Director to the Board, but so that the total number of Directors shall not exceed the maximum number fixed by these Articles. Any Director so appointed shall hold the office only up to the next annual general meeting of the Company and shall then be eligible for re-appointment.

Appointment of Director to fill the casual vacancy

- 134. (a) Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if it had not been vacated as aforesaid but he shall then be eligible for re-election.

Individual Resolution for Directors appointment

- (b) At a general meeting of the Company a motion shall not be made for the appointment of two or more persons as Director of the Company by a single resolution unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it. Resolution moved in contravention of this Article shall be void whether or not objection was taken at the time of its being so moved. Provided that where a resolution so moved is passed no provision for the automatic reappointment of retiring director by virtue of these Articles and the Act in default of another appointment shall apply.

Appointment of chairman

135. The directors may from time to time elect among themselves a chairman of the Board and determine the period for which he is to hold office if at any meeting of the Board, the chairman is not present within fifteen minutes after the time appointed for holding the same, the directors present may choose one of their members to be chairman of the meeting.

Qualification of Director

136. A Director need not hold any shares in the Company to qualify him for the office of a Director of the Company.

Remuneration of Directors

137. (a) Subject to the provisions of the Act, a Managing Director or a Director who is in the whole time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (b) Subject to the provisions of the Act, a Director, who is neither in the whole time employment nor a Managing Director may be paid remuneration either:
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government, or
 - (ii) by way of commission if the Company by a special resolution has authorised such payment.
- (c) The fee payable to Directors (other than Managing or Whole time Director, if any) for attending each meeting of the Board or Committee thereof shall be such sum as may be prescribed by the Act or the Central Government from time to time.

Traveling and other expenses

138. The Board may allow and pay to any Director for the purpose of attending a meeting such sum either as fixed allowance and/or actual as the Board may consider fair compensation for traveling, board and lodging and incidental and/or such actual out of pocket expenses incurred by such Director in addition to his fees, for attending such meeting to and from the place at which the meetings of the Board or Committees thereof or general meetings of the Company are held from time to time or any other place at which the Director executes his duties.

Remuneration for extra services

139. If any Director, being willing shall be called upon to perform extra services or to take any special exertions for any of the purposes of the Company and in that event the Company may, subject to the provisions of the Act, remunerate such Director either, by a fixed sum or by a percentage of profit or otherwise, as may be determined by the Directors but not exceeding that permitted under Section 309 of the Act and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided.

Increase in remuneration of Directors

140. (a) Any provision relating to the remuneration of any Director including a Managing or Joint Managing or Whole time Director or any amendment thereof, which purports to increase or has the effect of increasing, whether directly or indirectly, the amount thereof, whether that provision is contained in and agreement entered into by it, or any resolution, passed by the Company in General Meeting or by the Board of Directors, shall not have any effect-
- [i] in case where Schedule XIII is applicable, unless such increase is in accordance with the conditions specified in that Schedule; and
 - [ii] in any other case, unless it is approved by the Central Government and the amendment shall become void if, and in so far as," it is disapproved by the Government.

Increase in remuneration of Managing Director on re-appointment or appointment

- (b) If the terms of any re-appointment of a Managing or Joint Managing or Whole time Director, purport to increase or have the effect of increasing, whether directly or indirectly, the remuneration which the Managing or Joint Managing or Whole time Director, as the case may be was receiving immediately before such reappointment or appointment shall not have any effect-
- [i] in case where Schedule XIII is applicable, unless such increase is in accordance with the conditions specified in that Schedule; and
 - [ii] in any other case, unless it is approved by the Central Government and the amendment shall become void if, and in so far as, it is disapproved by the Government.

Directors not to act when number falls below minimum

141. When the number of Directors in Office falls below the minimum above fixed, the Directors, shall not act except in emergencies or for the purpose of filling up vacancies or for summoning a general meeting of the Company and so long as the number is below the minimum they may so act notwithstanding the absence of the necessary quorum.

Eligibility

142. A person shall not be capable of being appointed a Director if he has the disqualifications referred to in Section 274 of the Act.

Directors vacating office

143. (a) The Office of a Director shall become vacant if:
- (i) he is found to be of unsound mind by a Court of competent jurisdiction;
 - (ii) he applies to be adjudicated an insolvent;
 - (iii) he is adjudged an insolvent;

- (iv) he is convicted by a Court, of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;
- (v) he fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call unless the Central Government by Notification in the Official Gazette removes the disqualification incurred by such failure;
- (vi) he absents himself from three consecutive meetings of the Board of Directors, or from a meetings of the Board of Directors for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board;
- (vii) he, whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a director, accepts a loan or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act;
- (viii) he acts in contravention of Section 299 of the Act;
- (ix) he becomes disqualified by an order of court under Section 203 of the Act;
- (x) he is removed in pursuance of Section 284 of the Act;
- (xi) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company;

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- (xii) he resigns his office by notice in writing given to the Company.
- (xiii) in light of the amendment to Section 274 by the Companies Amendment Act, 2000 viz. he is already a director of a public company which:
 - (a) has not filed the annual accounts and annual returns for any continuous three financial years commencing on and after the first day of April, 1999; or
 - (b) has failed to repay its deposit or interest thereon on due date or redeem its debentures on due date or pay dividend and such failure continues for one year or more.
- (b) Notwithstanding anything in sub-clauses (iii), (iv) and (v) of clause (a) above, the disqualifications referred to in these sub-clauses shall not take effect;
 - (i) for thirty days from the date of the adjudication, sentence or order;
 - (ii) where any appeal or petition is preferred within the thirty -days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed off, or
 - (iii) where within the seven days aforesaid, any further appeal, or petition is preferred in respect of the adjudication, sentence, conviction or order and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed off.

Removal of Directors

144. (a) The Company may (subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles) remove any director other than ex-officio directors or special directors or debenture directors or a nominee director or a director appointed by the Central Government in pursuance of Section 408 of the Act, before the expiry of his period of office.
- (b) Special notice as provided by Section 190 of the Act shall be required of any resolution to remove a Director under this Article or to appoint some other person in place of a Director so removed at the meeting at which he is removed.
- (c) On receipt of notice of a resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned and the Director (whether or not he is a member of the Company) shall be entitled to be heard on the resolution at the meeting.
- (d) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to members of the Company, the Company shall unless the representations are received by it too late for it to do so,
- (i) in the notice of the resolution given to members of the Company state the fact of the representations having been made, and
- (ii) send a copy of the representation to every member of the Company to whom notice of the meeting is sent (whether before or after receipt of the representations by the Company) and if a copy of the representations, is not sent as aforesaid because they were received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representations be read out at the meeting, provided that copies of the representations need not be sent or read out at the meeting if so directed by the Court.
- (e) A vacancy created by the removal of a Director under this Article may, if he had been appointed in pursuance of Section 262 of the Act be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under clause (b) hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
- (f) If the vacancy is not filled under clause (e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they may be applicable, of Section 262 of the Act, and all the provisions of that Section shall apply accordingly;
- Provided that the Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.
- (g) Nothing contained in this Article shall be taken:
- (i) as depriving a person removed there under of any compensation or damages payable to him in respect of the termination of his appointment as Director or of any appointment terminating with that as director; or

- (ii) as derogating from any power to remove a Director which may exist apart from this Article.

POWERS OF DIRECTORS

Certain powers to be exercised by the Board only at meeting

169. (a) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at meetings of the Board
- (i) The power to make calls on shareholders in respect of money unpaid on their shares;
 - (ii) The power to issue debenture;
 - (iii) The power to borrow moneys otherwise than on debentures;
 - (iv) The power to invest the funds of the Company, and
 - (v) The power to make loans.
 - (vi) The power to authorize the buy-back of shares under Section 77(A) of the Act.
- Provided that the Board may by resolution passed at the meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company or in the case of a branch office of the Company, a principal officer of the branch office, the powers specified in sub-clauses (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such condition as the Board may prescribe.
- (b) Every resolution delegating the power referred to in sub-clause (iii) of clause (a) shall specify the total amount outstanding at any one time up to which moneys may be borrowed by the delegate.
 - (c) Every resolution delegating the power referred to in sub-clause (iv) of clause (a) shall specify the total amount up to which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.
 - (d) Every resolution delegating the power referred to in sub-clause (v) of clause (a) shall specify the total amount up to which loans may be made by the delegates, the purpose for which the loans may be made and the maximum amount up to which loans may be made for each such purpose in individual cases.
 - (e) Nothing in this Article shall be deemed to affect the right of the Company in general meeting to impose restrictions and conditions on the exercise by the Board of any of the powers referred to in sub-clauses (i), (ii), (iii), (iv) and (v) of clause (a) above.

Restriction on powers of Board

170. (a) The Board of Directors of the Company shall not except with the consent of the Company in general meeting:

- (i) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking;
 - (ii) remit, or give time for the repayment of any debt, due by a Director;
 - (iii) invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in sub-clause (i) above, or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
 - (iv) borrow moneys, where the money to be borrowed, together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose; or
 - (v) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years, immediately proceeding, whichever is greater.
- (b) Nothing contained in sub-clause (a) above shall affect:
- (i) the title of a buyer or other person who buys or takes a lease of any such undertaking as is referred to in that sub-clause in good faith and after exercising due care and caution, or
 - (ii) the selling or leasing of any property of the Company where the ordinary business of the Company consists of, or comprises such selling or leasing.
- (c) Any resolution passed by the Company permitting any transaction such as is referred to in sub-clause (a) (i) above, may attach such conditions to the permission as may be specified in the resolution, including conditions regarding the use, disposal or investment of the sale proceeds which may result from the transaction. Provided that this clause shall not be deemed to authorize the Company to effect any reduction in its capital except in accordance with the provisions contained in that behalf in the Act.
- (d) No debt incurred by the Company in excess of the limit imposed by sub-clause (iv) of clause (a) above, shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by that clause had been exceeded.

Prohibition regarding making of political contributions

- (e) Due regard and compliance shall be observed in regard to matters dealt with by or in the Explanation contained in sub-section (1) of Section 293 of the Act and in regard to the limitations on the power of the Company contained in Section 293A of the Act.

General powers of the Company vested in Directors

171. Subject to the provisions of the Act, the management of the business of the Company shall be vested in the Directors and the Directors may exercise all such powers and do all such acts and things as the Company is by the Memorandum of Association or otherwise authorised to exercise

and do and not hereby or by the statute or otherwise directed or required to be exercised or done by the Company in General Meeting, but subject nevertheless to the provisions of the Act and other Act and of the Memorandum of Association and these Articles and to any regulations, not being inconsistent with the Memorandum of Association and these Articles or the Act, from time to time made by the company in general meeting provided that no such regulation 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 or Whole time Directors

173. (a) Subject to the provisions of the Act and of these Articles the Board shall have power to appoint from time to time any of its members as Managing Director or Managing Directors and/or Whole time Directors and/or Special Director like Technical Director, Financial Director, etc. of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and the Board may by resolution vest in such Managing Director or Managing Directors/Whole time Director(s), Technical Director(s) Financial Director(s) and Special Director(s) such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine, the remuneration of such Directors may be by way of monthly remuneration and/or fee for each meeting and/or participation in profits, or by any or all of those modes, or of any other mode not expressly prohibited by the Act.
- (b) The Directors may whenever they appoint more than one Managing Director, designate one or more of them as "Joint Managing Director" or "Joint Managing Directors" or "Deputy Managing Directors" as the case may be.

Appointment and payment of remuneration to Managing or Whole time Director

- (c) Subject to the provisions of Sections 198, 269, 309, 310 and 311 of the Act, the appointment and payment of remuneration to the above Director, shall be subject to approval of the members in general meeting and of the Central Government.

Managing Director will not be subject to retirement by rotation

- (d) Subject to the provisions of the Companies Act 1956, and of these Articles a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation, and he shall not be reckoned as a Director for the purpose of determining the rotation or retirement of Directors or in fixing the number of Directors to retire, but subject to the provisions of any contract between him and the Company he shall be subject to the same provisions as to resignation and removal as the other Directors of the Company, and he shall ipso facto, cease to be a Managing Director if he ceases to hold the office of Director for any case.

THE SECRETARY

Secretary

174. Subject to the provisions of Section 383A of the Act, the Directors may, from time to time, appoint and, at their discretion remove any individual (hereinafter called 'the Secretary') who shall have such qualifications as the authority under the Act may prescribe to perform any functions, which by the Act or these Articles are to be performed, by the Secretary, and to execute any other purely ministerial or administrative duties which may from time to time be assigned to the Secretary by the Director. The Directors may also at any time appoint some

persons (who need not be the Secretary) to keep the registers required to be kept by the Company.

SEAL

The seal its custody and use

175. (a) The Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Directors shall provide for the safe custody of the Seal for the time being and the Seal shall never be used except by or under the authority of the Directors or a Committee of the Directors previously given, and in the presence of one Director at the least, who shall sign every instrument to which the Seal is so affixed in his presence.

Seal abroad

- (b) The Company shall also be at liberty to have an official seal in accordance with Section 50 of the Act for use in any territory, district or place outside India and such powers shall accordingly be vested in the Directors.

INTEREST OUT OF CAPITAL

Interest may be paid out of Capital

176. Where any shares in the Company are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period and at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the same to capital as part of the cost of construction of the work or building, or the provisions of plant.

DIVIDENDS

Division of Profits.

177. The profits of the Company subject to any special rights relating thereto created or authorized to be created by these presents shall be divisible among the members in proportion to the amount of Capital paid up or credited as paid up on the shares held by them respectively.

Dividend payable to registered holder

178. No dividend shall be paid by the Company in respect of any share except to the registered holder of such share or to his order or to his banker.

Time for payment of dividend

179. Where a dividend has been declared by the Company it shall be paid within the period provided in Section 207 of the Act.

Capital paid up in advance and interest not to earn dividend

180. Where the Capital is paid up in advance of calls upon the footing that the same shall carry interest, such Capital shall not, whilst carrying interest confer a right to dividend or to participate in profits.

Dividends in proportion to amount paid up

181. (a) The Company shall pay dividends in proportion to the amounts paid up or credited as paid up on each share, when a larger amount is paid up or credited as paid up on some shares than on others. Nothing in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.
- (b) Provided always that any Capital paid up-on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide, only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid during such period on such share.

Company in Annual General Meeting may declare dividends

182. The Company in Annual general meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits and may fix the time for payment.

Power of Directors to limit dividends

183. No larger dividend shall be declared than is recommended by the Directors but the Company in general meeting may declare a smaller dividend.

Dividends only to be paid out of profits

184. No dividend shall be declared or paid by the Company otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or a State Government for the payment of dividend in pursuance of the guarantee given by that Government provided that:

- (a) If the Company has not provided for depreciation for any previous financial year or years, it shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of that financial year or out of the profits of any other previous financial year or years;
- (b) If the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for that year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section

Nothing contained in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.

Directors' declaration as to net profits conclusive

185. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Interim Dividends

186. The Directors may, from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies.

Retention of Dividend until completion of transfer under Article

187. The Directors may retain the Dividends payable upon shares in respect of which any person is under the Transmission clause of these Articles entitled to become a member or which any person under that clause is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

No member to receive Dividend whilst indebted to the Company and Company's right to reimbursement there from

188. Subject to the provisions of the Act, no member shall be entitled to receive payment of any interest or dividend in respect of his share(s) whilst any money may be due or owing from him to the Company in respect of such share(s) or debenture(s) or otherwise however either alone or jointly with any other person or persons and the Directors may deduct from the interest or dividend payable to any member, all sums of moneys so due from him to the Company.

Transferred shares must be registered

189. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Dividend how remitted

190. Unless otherwise directed any dividend may be paid by cheque or warrant or a pay-slip or receipt having the force of a cheque or warrant sent through ordinary post to the registered address of the member or person entitled or in the case of joint holders to that one of them first named in the Register of Members in respect of the joint holding. Every such cheque or warrant so sent shall be made payable to the registered holder of shares or to his order or to his bankers. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost, to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

Unpaid Dividend or Dividend Warrant posted

191. (a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank, as per Section 205 A of the Act, and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.
- (b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed, for a period of seven years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government.

A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.

- (c) No unpaid or unclaimed dividend shall be forfeited by the Board.

Dividend and call together

192. Any general meeting declaring a dividend may on the recommendation of the Directors make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him 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 members, be set off against the calls.

Dividend to be payable in cash

193. No dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit the capitalization of profit or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.

CAPITALISATION

Capitalisation

194. (a) Any general meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realization and where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalized. Any such amount (excepting the amount standing to the credit of the Share Premium Account and/or the Capital Redemption Reserve Account) may be capitalized

- (i) by the issue and distribution as fully paid shares, debentures, debenture stock, bonds or obligations of the Company or
- (ii) by crediting the shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account may be applied in;

- (1) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
- (2) in writing off the preliminary expenses of the Company;
- (3) in writing off the expenses of, or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
- (4) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company. Provided further that any amount standing to the credit of the Capital Redemption Reserve Account

shall be applied only in paying up unissued shares of the Company to be issued to the members of the Company as fully paid bonus shares.

- (b) Such issue and distribution under sub-clause (a)(i) above and such payment to the credit of unpaid share capital under sub-clause (a)(ii) above shall be made to, among and in favour of the members of any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (a)(i) or payment under sub-clause (a)(ii) above shall be made on the footing that such members become entitled thereto as capital.
- (c) The Directors shall give effect to any such resolution and apply portion of the profits, General Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or other obligations of the Company so distributed under sub-clause (a)(i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause (a)(ii) above provided that no such distribution or payment shall be made unless recommended by Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalized sum.
- (d) For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates or coupons and fix the value for distribution of any specific assets and may determine that such payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, fractional certificates or coupons, debentures, debenture stock, bonds, or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture stock, bonds or other obligations and fractional certificates or coupons or otherwise as they may think fit.
- (e) Subject to the provisions of the Act and these Articles in cases where some of the shares of the Company are fully paid and others are partly paid only, such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but so that as between the holders of fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied pro rata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

195. When deemed requisite a proper contract shall be filed with the Registrar of Companies in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled, as aforesaid and such appointment shall be effective.

ACCOUNTS

Accounts

196. The provisions of Sections 209 to 222 of the Act shall be complied with in so far as the same be applicable to the Company.

Books of Accounts to be kept

197. (a) The Company shall keep at its Registered Office proper books of accounts as required by Section 209 of the Act with respect to:
- (i) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place;
 - (ii) all sales and purchases of goods by the Company; and (iii) the assets and liabilities of the Company;
- Provided that all or any of the 'books of account aforesaid may be kept at such other place in India as the Board of Directors may decide and when the Board of Directors so decide, the Company shall, within seven days of the decision file with the Registrar a notice in writing giving the full address of that other place.
- (b) If the Company shall have a branch office, whether in or outside India, proper books of account relating to the transactions effected at that office shall be kept at that office and proper summarised returns made up to date at intervals of not more than three months, shall be sent by the branch office to the Company at its Registered Office or other place in India, as the Board thinks fit, where the said books of the Company are kept.

Books to give fair and true view of the Company's affairs

198. (a) All the aforesaid books shall give a fair and true view of the affairs of the Company or of its branch office, as the case may be with respect to the matters aforesaid, and explain the transactions.
- (b) The books of account shall be open to inspection by any Director during business hours as provided by Section 209 of the Act.
- (c) The books of account of the Company relating to a period of not less than eight years immediately preceding the current year together with the vouchers relevant to any entry in such books of accounts shall be preserved in good order.

Inspection by members

199. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts, books and documents of the Company or any of them, shall be open to the inspection of the members, and no member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by statute or authorised by the Directors or by a resolution of the Company in general meeting.

Right of Members to copies of Balance Sheet and Auditor's Report

205. A copy of every Balance Sheet (including the Profit and Loss Account, the Auditor's Report and every other document required by Law to be annexed or attached as the case may be, to the Balance Sheet) which is *to be* laid before the Company in General Meeting shall be made available for inspection at the Registered Office of the Company during working hours for a period of twenty one days before of the meeting.

AUDIT

Accounts to be audited

207. Every Balance Sheet and Profit and Loss Account shall be audited by one or more Auditors to be appointed as hereinafter mentioned.

Appointment and qualifications of auditors

208. (a) The Company at the annual general meeting each year shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting, and shall, within seven days of the appointment, give intimation thereof to every auditor so appointed.
- (b) At any annual general meeting, a retiring Auditor, by whatever authority appointed, shall be reappointed unless:
- (i) he is not qualified for reappointment;
 - (ii) he has given the Company notice in writing of his unwillingness to be reappointed;
 - (iii) a resolution has been passed at that meeting appointing somebody instead of him or providing expressly that he shall not be reappointed, or
 - (iv) where notice has been given of an intended resolution to appoint some person or persons in the place of retiring Auditor, and by reason of the death, incapacity or disqualification of that person or of all those persons, as the case may be, the resolution cannot be proceeded with.
- (c) Where at an annual general meeting no auditors are appointed or re-appointed, the Central Government may appoint a person to fill the vacancy.
- (d) The Company shall, within seven days of the Central Government's power under sub-clause (c) becoming exercisable give notice of that fact to the Government.
- (e) The Directors may fill any casual vacancy in the office of Auditor, but while any such vacancy continues the surviving or continuing Auditor or Auditors (if any) may act, but where such vacancy be caused by the resignation of an auditor, the vacancy shall only be filled by the Company in general meeting.
- (f) A person, other than a retiring Auditor, shall not be capable of being appointed at an annual general meeting unless special notice of the Resolution for appointment of that person to the office of Auditor has been given by a member to the Company not less than fourteen days before the meeting in accordance with Section 190 of the Act, and the Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the members in accordance with Section 190 of the Act, and the provisions of Section 225 of the Act shall apply in the matter. The provision of this sub-clause shall also apply to a Resolution that a retiring Auditor shall not be re-appointed.
- (g) The persons qualified for appointment as Auditors shall be only those referred to in Section 226 of the Act.
- (h) None of the persons mentioned in Section 226 of the Act as being not qualified for appointment as Auditors shall be appointed as Auditors of the Company.

Audit of Branch Office

209. The Company shall comply with the provisions of Section 228 of the Act in relation to the audit of the accounts of branch offices of the Company except to the extent to which any exemption may be granted by the Central Government, in that behalf.

Remuneration of Auditors

210. The remuneration of the Auditors shall be fixed by the Company in general meeting in such manner as the Company may in general meeting determine except that the remuneration of any Auditors appointed to fill any casual vacancy may be fixed by the Directors;

DOCUMENTS AND NOTICES

Service of Notice by member

213. A notice may be served on the Company or an Officer thereof by sending it to the Company or Officer at the Registered Office of the Company by post under a Certificate of posting or by registered post or by leaving it at its Registered Office.
The term 'Notice' in this and the following clauses shall include summons, notice, requisition, order, judgment or other legal papers and any document.

Service of Notice on Registrar

214. A notice may be served on the Registrar by sending it to him at his office by post under a certificate of posting or by registered post, or by delivering it to, or leaving it for him at his office.

Service of Notice on member by the Company

215. (a) A Notice may be served by the Company on any member either personally or by sending it by post to him to his registered address or if he has no registered address in India to the address, if any, within India supplied by him to the Company for giving Notice to him.
- (b) Where a Notice is sent by post :
- (i) Service thereof shall be deemed to be effected by properly addressing prepaying and posting a letter containing the document, provided that, where a member has intimated to the Company in advance that documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due, and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document shall not be deemed to be effected unless it is sent in the manner intimated by the member; and
 - (ii) Such service shall be deemed to have been effected:
 - 1. in the case of a Notice of a meeting at the expiration of forty eight hours after the letter containing the same is posted, and
 - 2. in any other case, at the time at which the letter would be delivered in the ordinary course of post.

By Advertisement

- (c) A Notice advertised in a newspaper circulating in neighborhood of the registered office of the Company shall be deemed to be duly served on the day on which the advertisement appears on every member of the Company who has no registered address in India and has not supplied to the Company an address within India for the giving of Notices to him.

On Joint holder

- (d) Any Notice may be served by the Company on the Joint-holders of a Share/debenture by serving it on the joint holder named first in the Register of member/debenture holders in respect of the share/debenture.

On personal Representative

- (e) A Notice may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title representatives of the deceased or assignees of the insolvent or by any like description, at the address, if any in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by serving the document in any manner in which it might have been served if the death or insolvency had not occurred.

Notice by Company and signatures thereto

- 216. Any Notice given by the Company shall be signed by a Director, or by such Officer as the Directors may appoint and the signatures thereto may be written printed or lithographed.

Authentication of documents and proceedings

- 217. Save as otherwise expressly provided in the Act, a document or proceedings requiring authentication by the Company may be signed by the Director, the Managing Director, the Manager, the Secretary or other authorised Officer of the Company and need not be under its Common Seal.

WINDING UP

Distribution of Assets

- 218. (a) Subject to the provisions of the Act, if the company shall be wound up and the assets available for distribution among the members as such shall be less than sufficient 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 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 amongst the members in proportion to the Capital paid-up at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively.
- (b) But this clause will not prejudice the rights of the holders of shares issued upon special terms and conditions. 219. Subject to the provisions of the Act.

Distribution in specie or kind

219. (a) If the Company shall be wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution and any other sanction required by the Act, divide amongst the contributories, in specie or kind the whole or any part of the assets 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 the like sanction shall think fit.
- (b) If thought expedient, any such division may, subject to the provisions of the Act, be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given (subject to the provisions of the Act) preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined or any contributory who would be prejudiced thereby shall have the right, if any to dissent and ancillary rights as if such determination were a special resolution passed pursuant to Section 484 of the Act.
- (c) in case any shares to be divided as aforesaid involved a liability to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution, by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the Liquidators shall, if practicable act accordingly.

Rights of shareholders in case of sale

220. Subject to the provisions of the Act, a special resolution sanctioning a sale to any other Company duly passed may, in like manner as aforesaid, determine that any shares or other consideration receivable by the Liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent, if any, if such right be given by the Act.

SECRECY CLAUSE

221. (a) Every Director, Manager, Auditor, Treasurer, Trustee Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in the business of the Company shall if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties' except when required so to do by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
- (b) No member shall be entitled to visit or inspect any works of the Company without the permission of the Directors or to require discovery of or any information respecting any detail of the Company's trading, or any matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.

INDEMNITY AND RESPONSIBILITY

Directors and others rights to indemnity

222. (a) Subject to the provisions of Section 201 of the Act, every Director, Managing Director, Whole time Director, Manager, Secretary and other Officer or employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company to pay all costs, losses and expenses (including traveling expense) which such Director, Manager, Secretary and Officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, Manager, Secretary, Officer or Servant or in any way in the discharge of his duties including expenses and the amount for which such indemnity is provided, shall immediately attach as a lien on the property of the Company and have priority between the members over all other claims.
- (b) Subject as aforesaid, every Director, Managing Director, Manager, Secretary or other officer and employee of the Company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief is given to him by the Court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company.

Directors and other officers not responsible for the acts of others

223. Subject to the provisions of Section 201 of the Act, no Director, Managing Director, Whole time Director or other Officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or Officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the monies of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, company or corporation, with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of Judgment or oversight on his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of the office or in relation thereto, unless the same happens through his own dishonesty.

SOCIAL OBJECTIVE

224. The Company shall have among its objectives the promotion and growth of the national economy through increased productivity, effective utilization of material and manpower resources and continued application of modern scientific and managerial techniques in keeping with the national aspirations, and the Company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders, society and the local community.

GENERAL POWER

225. Wherever in the Companies Act, it has been provided that the Company shall have any right privilege or authority or that the Company could carry out any transaction only if the Company is so authorised by its Articles, then and in that case these regulations hereby authorize and empower the Company to have such rights, privilege or authority and to carry such transactions as have been permitted by the Act.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These Contracts, shall be attached to the Draft Red Herring Prospectus and delivered to the Registrar of Companies, Tamil Nadu located at Chennai for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at 32, Poes Road, Second Street, Teynampet, Chennai 600 018 from 10.00 a.m. to 4.00 p.m. from the date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

A. Material Contracts:

1. Copy of Memorandum of Understanding entered into with M/s. Vivro Financial Services Private Limited to act as Book Running Lead Managers to the Issue.
2. Copy of Memorandum of Understanding entered into with M/s. Cameo Corporate Services Private Limited to act as Registrar to the Issue.
3. Copy of tripartite agreement among NSDL, the Company and the Registrar, M/s. Cameo Corporate Services Private Limited dated [•];
4. Copy of tripartite agreement among CDSL, the Company and the Registrar, M/s. Cameo Corporate Services Private Limited dated [•];
5. Escrow Agreement dated[*] between [•]
6. Syndicate Agreement dated [*] between [•]
7. Underwriting Agreement dated [*] between [•]

B. Material Documents for Inspection

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of Incorporation dated 3rd June, 1994 issued by the Registrar of Companies, Maharashtra, Mumbai.
3. Copy of resolution dated 30th August 2006 in relation to remuneration of , Managing Director, Whole Time director, Executive Director.
4. Copy of the resolution passed at the meeting of the Board of Directors held on 3rd July 2006 in relation Issue of equity shares to public.
5. Copy of the special resolution passed at the Extra ordinary General Meeting of the Shareholders dated July 27 2006 pursuant to Section 81 (1A) of the Companies Act, 1956
6. Consents of the Directors, Company Secretary, Compliance officer, Auditors, Legal Advisor, the Banker to the Company, the BRLM, the Syndicate Members, the Registrar to the issue, Escrow Collection Banks and Bankers to the Issue to include their names in the Draft Red Herring Prospectus to act to in their respective capacity.
7. Report of the Statutory Auditors of the Company M/s Pratap Karan Paul & Co. dated 5th September 2006 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus and copies of Summary of Assets and liabilities and Profit and Loss Accounts as restated of the Company.
8. Letter dated 5th September 2006 from the Statutory Auditors of the Company M/s Pratap Karan Paul & Co. confirming Tax Benefits as mentioned in the Draft Red herring Prospectus.
9. Resolution of the meeting of the Board of Directors of the Company held on 14th October 2006 for the formation of Company's Audit Committee, Investor Grievance Committee and the Remuneration Committee.

10. Annual Reports of the Company for last five financial years.
11. Annual Reports of our Group companies/ Group Concerns for the past three Financial Year.
12. Copy of Transponder Service Agreement dated 10th September, 2003 between Shin Satellite Public Company Limited and Raj Television Network Limited.
13. Due Diligence Certificate dated 19th October 2006 given to SEBI by the Lead Manager, Vivro Financial Services Private Limited.
14. Valuation Report dated September 11, 2006 of Mr. Sundaram S. Iyer, Corporate Consultant.
15. SEBI Observation Letter dated [*] and Company's reply dated [*]
16. In principle Approval dated _____ from the NSE.
17. In principle Approval dated _____ from the BSE.
18. Copies of the forms along with the relevant resolutions regarding increase in Authorised Capital.

Any of the contracts and documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

K. DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 and rules made there under. All the legal requirements connected with the said Public 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. We, the Directors of Raj Television Network Limited declare and confirm that no information/material likely to have a bearing on the decision of the investor in respect of the equity shares offered in terms of this draft Red Herring Prospectus have been suppressed/withheld and/or incorporated in a manner that would amount to misstatement/misrepresentation and in the event of it transpiring at any point of time till Allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/or amounts to misstatement/misrepresentation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of Section 63 of the Act.

Since the date of last financial statement disclosed in this Draft Red Herring Prospectus, there have been no circumstances that materially and adversely affects or is likely to affect the profitability of the Company or the value of its assets or its ability to pay off its liabilities within a period of next twelve months.

The Directors of the Company and Mr. M. Raajhendhran, Managing Director of the Company certify that all disclosures made in the Draft Red Herring Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS

Mr. M. Raajhendhran Chairman & Managing Director	
Mr. M. Rajaratnam* Whole Time Director	
Mr. M. Raveendran* Whole Time Director	
Mr. M. Regunathan* Whole Time Director	
Mr. R. Rajagopalan* Director	
Mr. D. R. Karthikeyan* Director	
Mr. Aurjuna Pai* Director	
Dr. Mohan Kameswaran* Director	

* through their Constituted Attorney

Mr. B. Satya Prakash- Compliance Officer

Place: Chennai

Date: 19th October, 2006