



Educomp Solutions Limited

(Formerly Educomp Datamatics Limited)

(Incorporated on September 7, 1994 under the Companies Act, 1956 as Educomp Datamatics Pvt. Ltd. Converted into Educomp Datamatics Limited on September 18, 2000 and Received fresh Certificate of Incorporation consequent to change of name to Educomp Solutions Limited on August 23, 2005)

Registered Office: 1211, Padma Tower-1, 5, Rajendra Place, New Delhi-110 008

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Compliance Officer: Mrs. Sangeeta Gulati

PUBLIC ISSUE OF 40,00,000 EQUITY SHARES OF RS. 10/- EACH ISSUED FOR CASH AT A PRICE OF RS. [●] PER SHARE AGGREGATING RS. [●] LACS (HEREINAFTER REFERRED TO AS "THE ISSUE"). THE ISSUE WOULD CONSTITUTE 25.06% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY

Price Band: Rs. [●] to Rs. [●] per Equity Share of Rs. 10/- each.

The Issue is being made through the 100% book building process where 50% of the Issue shall be issued on a discretionary basis to Qualified Institutional Buyers. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non- Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Educomp Solutions Limited (the Company/ Issuer/ESL), there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- and the issue price is [●] times of the face value. The floor price is [●] times and cap price is [●] times of the face value. The Issue Price/Price band (has been determined and justified by the Book Running Lead Manager, and Educomp Solutions Limited as stated under the justification of premium paragraph) 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 RISK

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 offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk 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 the SEBI guarantee the accuracy or adequacy of this document.

Specific attention of the investors is invited to the statement of Risk Factors on Page No. 10 to 16 of the Draft Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

Educomp Solutions Limited, 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 respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document 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 are proposed to be listed on The National Stock Exchange of India Ltd. (NSE), being the Designated Stock Exchange and The Stock Exchange, Mumbai (BSE). The in-principle approvals of the Stock Exchanges for listing the Equity Shares have been received pursuant to letters dated [●] and [●] respectively.

BOOK RUNNING LEAD MANAGERS

 **SBI CAPITAL MARKETS LIMITED**
202, Maker Tower "E",
Cuffe Parade,
Mumbai – 400005
Tel: 91 22 22189166,
Fax: 91 22 22188332
Website: www.sbicap.com
Email: esl.ipo@sbicap.com

 **KARVY INVESTOR SERVICES LIMITED**
"Karvy House", 46 Avenue Street No. 4
Banjara Hills,
Hyderabad – 500 034
Tel: 91 40 23374714
Fax: 91 40 23374714
Website: www.karvy.com

REGISTRAR TO THE ISSUE

 **INTIME SPECTRUM
REGISTRY LIMITED**
C-13, Pannalal Silk Mills
Compound
LBS Marg, Bhandup (W)
Mumbai – 400 078
Tel: 91 22 5555 5491,
Fax: 91 22 5555 5499
Website: www.intimespectrum.com

Issue Program

BID / ISSUE OPENS ON: [●] 2005

BID / ISSUE OPENS ON: [●] 2005

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SECTION I DEFINITIONS AND ABBREVIATIONS

I. Definitions

Term	Description
“ESL” or “Educomp” or “the Company” or “Our Company” or “Educomp Solutions Limited”	Educomp Solutions Limited, a public limited company incorporated under the Companies Act, 1956
“we” or “us” and “our”	Unless the context otherwise require, refers to Educomp Solutions Limited

II. Conventional / General Terms

Terms	Description
Articles/Articles of Association	Articles of Association of our Company
Auditors	The Statutory Auditors of the Company, viz, Anupam Bansal & Co.
Board of Directors / Board	The Board of Directors of Educomp Solutions Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Director(s)	Director(s) of Educomp Solutions Limited, unless otherwise specified
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
MOA/Memorandum/ Memorandum of Association	Memorandum of Association of ESL
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRIs/ Non-Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
Overseas Corporate Body / OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
Promoters	Mr. Shantanu Prakash and Dr. Anjlee Prakash
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million. For the sake of clarity, foreign venture capital funds and Indian venture capital funds are not included within this definition
Registered Office	1211, Padma Tower-1, 5, Rajendra place, New Delhi-110008
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 Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
Stock Exchanges	NSE and BSE
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America

III. Issue Related Terms

Terms	Description
Allotment	Issue of the Equity Shares pursuant to the Issue to the successful Bidders
Allottee	The successful bidder to whom the Equity Shares have been issued.
Bankers to the Issue	UTI Bank Limited
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price at or above the Floor Price including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date/ Issue Closing date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English National Newspaper and Hindi National Newspaper
Bid cum Application Form/ Bid Form	The form in terms of which the bidder shall make an offer to purchase the equity shares of the Company in terms of this Draft Red Herring Prospectus
Bid Opening Date/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English National Newspaper and Hindi National Newspaper
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 may submit their Bids
Book Building Process	Book Building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made
BRLM/Book Running Lead Manager	Book Running Lead Manager to the Issue being SBI Capital Markets Ltd and Karvy Investor Services Ltd.
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalized by the Company in consultation with the BRLM
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer / allot the Equity Shares to successful Bidders
Designated Stock Exchange	The Stock Exchange, Mumbai and National Stock Exchange
Draft Red Herring	This Draft Red Herring Prospectus proposed to be filed with the SEBI,

Prospectus (DRHP)	which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
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 when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, Syndicate Members, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Bankers to the Issue at which bank(s) the Escrow Account of the Company will be opened
First Bidder	The bidder whose name appears first in the bid cum application form or revision form
Floor Price	The price advertised by the Company prior to the Bid/Issue Opening Date, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue Price	The final price at which the Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by the Company and the BRLM on the Pricing Date
Issue Account / Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Issue Period	The period between the Bid / Issue Opening Date and Bid / Issue Closing Date and Including both these dates
Karvy	Karvy Investor Services Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Members of the Syndicate	The BRLMs and the Syndicate Members
Non-Institutional Portion	The portion of the Issue being 6,00,000 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidders
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLM and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than Rs. 1,00,000. For the sake of clarity NRIs, foreign venture capital investors and Indian venture capital funds are not included within this definition
Net Issue/Net Issue to the Public	The Issue comprising of 40,00,000 Equity Shares
Pay-In-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid 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 Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN
Price Band	Being the price band of a minimum price of Rs. [●] per Equity Share (Floor Price) and the maximum price of Rs. [●] per Equity Share (Cap Price)(both inclusive), and including revision thereof
Pricing Date	Means the date on which the Company, in consultation with the BRLM, finalizes the Issue Price
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , 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/ Issue	Public Issue of [40,00,000] Equity Shares of Rs. 10/- each for Cash at a Price of Rs. [●] per Equity Share aggregating to Rs. [●] million (the 'Issue'), consisting of a Fresh Issue of [●] Equity shares of Rs. 10/- each by the

	Company.
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Bid / Issue Opening Date
QIB Portion	The portion of the Issue being [20,00,000] Equity Shares of Rs. 10 each available for allotment to QIB Bidder(s)
Red Herring Prospectus or RHP	Means the Document issued in accordance with the SEBI Guidelines and which is not a Prospectus under Section 60 of the Companies Act and does not have complete particulars on the price at which the Equity Shares are offered and the 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/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing and allotment
Registrar/Registrar to the Issue	Registrar to the Issue being Intime Spectrum Registry Limited
RoC / Registrar of Companies	Registrar of Companies, NCT of Delhi & Haryana
Retail Portion	The portion of the Issue being [14,00,000] Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for a cumulative amount of not more than Rs.1,00,000
Reserved Categories	Means reservation for employees of the Company
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any
SBI Caps	SBI Capital Markets Limited
Syndicate Agreement	Agreement to be entered into among the BRLMs, Syndicate Member(s) and the Company in relation to the collection of Bids in the Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs
TRS or Transaction Registration Slip	The slip or document registering the Bids, issued by the Syndicate Members to the Bidder as proof of registration of the Bid up on submission of the Bid cum Application Form in terms of this Draft Red Herring Prospectus
Underwriters	The BRLM and the Syndicate Members

IV. Glossary of Technical and Industry Terms

BOOT	Build, operate, own and transfer
CAL	Computer Aided Learning
CAT	Computer Aided Training
CDC	Content Development Centre
ELPL	Educomp Learning Pvt. Ltd.
ICT@School	Information, Communication and Technology at school
K12	Kindergarten to Class 12
LAN	Local Area Network
MHRD	Ministry of Human Resource Development
MoE	Ministry of Education
NGO	Non-Governmental Organisation
PC	Personal Computer
QuEST	Quality Education for Students and Teachers
RFP	Request for Proposal
SSA	Sarva Shiksha Abhiyan
SAS	Smart assessment system
WPPL	Wheatstone Production Private Limited

V. Abbreviations of General Terms

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	The Stock Exchange, Mumbai
CDSL	Central Depository Services (India) Limited
EPS	Earnings Per Share
ESL	Educomp Solutions Limited
EGM	Extraordinary General Meeting
FCNR Account	Foreign Currency Non Resident Account
FIPB	Foreign Investment Promotion Board
FY / Fiscal/Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FII	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Gol/Government	Government of India
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
I.T. Act	Income Tax Act, 1961, as amended from time to time
MoF	Ministry of Finance, GoI
MOU	Memorandum of Understanding
NAV	Net Asset Value
NPV	Net Present Value
NRIs	Non Resident Indians
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RoC	Registrar of Companies, NCT of Delhi & Haryana
ROE	Return on Equity
RONW	Return on Net Worth
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
USD/US\$	United States Dollar

SECTION – II RISK FACTORS

I. Certain Conventions; Use of Market Data

In this Draft Red Herring Prospectus, unless the context otherwise requires, unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines included elsewhere in this Draft Red Herring Prospectus. Accordingly, financial information relating to us is presented on a non-consolidated basis. Our fiscal year commences on April 1 and ends on March 31. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

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

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India and all references to "Rupees" or "Rs" are to Indian Rupees, the official currency of the Republic of India.

All references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America and all references to "US\$"; "U.S. Dollar", "USD" or "US Dollars" are to the United States Dollar, the official currency of the United States of America.

In this Draft Red Herring Prospectus all references to one gender also refers to another gender and the word "Lakh" or "Lac" means "one hundred thousand" and the word "million" means "ten lac" and the word "Crore" means "ten million".

Any percentage amounts, as set forth in "Risk Factors", "Business Segment", "Management's Discussion and Analysis of Financial Condition and Results of Operation" and elsewhere in this Draft Red herring Prospectus, unless otherwise indicated, have been calculated on the basis of the Rupee amounts derived from our financial statements prepared in accordance with the Indian GAAP and not on the basis of any translated Rupee amount presented solely pursuant to SEBI requirements. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per Foreign Currency amounts.

For additional definitions, see the section titled 'Definitions and Abbreviations' on page 3 of this Draft Red Herring Prospectus. In the section titled 'Main Provisions of Articles of Association of the Company' beginning on page 197 of this Draft Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Unless stated otherwise, industry data used throughout this Draft Red Herring Prospectus has been obtained from data internal to the Company, CEA, MoP and the Planning Commission of India and from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.

II. Forward-Looking Statements

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as “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”.

All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others: -

- General economic and business conditions in India and other countries
- Our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks that have an impact on our business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities
- Change in political condition in India

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page 10 of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members of Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the BRLMs 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 Exchanges.

III. Risk Factors

An investment in equity securities involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. Any of the following risks as well as the other risks and uncertainties discussed in this Draft Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment.

Materiality

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- a. Some events may not be material individually but may be found material collectively.
- b. Some events may have material impact qualitatively instead of quantitatively.
- c. Some events may not be material at present but may be having material impacts in future.

The risk factors are as envisaged by the management along with the proposals to address the risk if any. Wherever possible, the financial impact of the risk factors has been quantified.

INTERNAL TO THE COMPANY

1. Risk in relating to the Objects of the issue

The funds being raised through the issue are proposed to be used for investments in our US subsidiary, setting up of facilities for content development and online tutoring for US market and capital expenditure requirements for expansion of the domestic business and for M&A activities. The proposed activities for which the funds are being raised have not been appraised and the fund requirements are based primarily on management estimates. The orders for equipments and software for our proposed content design and development centre have not yet been placed and the premises for the same have not yet been finalized. The company has not yet finalized or signed definitive agreements for acquisitions.

Management perception: We have already identified places & properties for establishment of our offshore development facilities at Bangalore. Further we have identified the vendors for the equipment and software. Further we have also identified the potential M&A targets and negotiations are underway. The use of proceeds of the Issue has been determined based on the management's internal estimates. An Audit Committee constituting of Independent Directors, will be monitoring the use of proceeds of this Issue. Progress in the use of proceeds from the Issue will be reported periodically as per SEBI's statutory guidelines.

For the implementation schedule, please refer to the Chapter on Objects of the Issue on page 35. Further in terms of the requirement of the Companies Act/ Listing Agreement, the Company shall be required to disclose in their Balance Sheet and the periodic returns about the unutilized proceeds of the issue under a separate head.

2. Risks in relation to U.S. subsidiary

Our products and services are yet untried on a large scale in the US market. Our company also does not have much experience in dealing with global customers hence our operations are subject to the risks of operating in a new market. The US market is highly competitive with the presence of large dominant players hence we may lose substantially or all of our investment in the US operations. There were nil revenues from US in the year ending as on March 2005 and in the quarter ending June 30 2005.

Management Perception: The revenues in year ending March, 2005 from US were negligible, as the Company has penetrated in the US market in Nov 2004 only. We have executed a pilot project successfully with a US school district in California and, based on the results, we are confident that our products will be well accepted in the market. We are relying on the price advantage we get due to the fact that our development centre is located in India and also on the quality of our product offerings.

We plan to mitigate competitive risk by pursuing strategic alliances with credible players in the US markets and will also explore the possibility of a strategic acquisition in the future.

3. Delay in payments from government

The payment system with the government is subject to several known delays due to bureaucratic procedures. We have experienced unforeseen delays in payments on several occasions. Hence, our operations are subject to the risk of payments being delayed for several months impacting our working capital requirements and adding an additional cost of finance and thus reducing our profits.

Management Perception: As per the contractual terms & conditions, the government payments become due on a quarterly basis, but due to bureaucratic procedures, generally the payments get delayed by one & a half month, thereby increasing the realization cycle from 3 months to four & a half months. However, in anticipation of delays, we take several proactive measures to mitigate this risk. At the state of tendering for new orders, we build in the cost of payment delays into the price of the product. We also have an efficient payment follow up process to minimize the time taken to receive the payments. Besides our experience shows that defaults from government clients are negligible.

4. Investments in new initiatives

Our new initiatives such as Online Math Tutoring are pioneering in nature and no established markets or business models may exist for the same. They are not guaranteed to lead to sustainable revenue or profits. Hence, to that extent, we are exposed to the risks of investing money in such initiatives

Management Perception: We carefully weigh the risks and returns of any new initiative and the same is taken up after a careful market research and due diligence. Further, we also rely on the experience of our staff and external consultants and advisors. Our decision is based on the competitive price advantage we will enjoy, the size of the market opportunity as well as our experience in education and with teachers.

5. Default in payment by schools

We are exposed to the risks of payment defaults by schools.

Management Perception: We protect ourselves by legal contracts and also in case of private schools we take advance payments. As a part of our standard customer contract, we have the right to take back all the equipments and content in case of a customer default.

6. Piracy of content and infringement of copyright

Our content is exposed to the risk of piracy and thus if they are pirated we run a risk of losing sales. If our customers infringe on the copyright licenses issued to them, we are further exposed to the risk of losing revenue, which we would have received had the infringements not taken place.

Management Perception: The products of our Company are mainly sold to institutional clients where the possibility of copyright infringement and piracy is minimal. Further we keep a close watch on our products through formal and informal means and have authorised our legal counsels to take immediate action in case any piracy is detected. We typically place our products along with a company officer for the complete contract period, who oversees the usage of the product thus minimizing piracy risk.

We also rely on a combination of copyright laws, license agreements, confidentiality agreements with employees, non-disclosure and other contractual confidentiality requirements imposed on our customers to protect our copyrights on the content developed by us. We require our employees to enter into a non-disclosure clause as a part of the appointment letter / confidentiality agreements. This covers inter alia, assignment of rights and arrangements to limit access to and distribution of the company's intellectual property and its proprietary / confidential information. We also protect our product by developing in house software engines, where encryption & decryption takes place in password-protected codes. The uploading and downloading of our content within a computer network is also similarly protected. In addition to the above, the product Smart_ClassTM is protected by standard protection technologies in the industry such as "Hasp Lock"

7. Outstanding Litigations against the Company

We are exposed to the risk of litigation against the company by our clients, vendors or employees. The details of the outstanding litigations against the company as on September 3, 2005 are as follows:

- i. Mrs. Sabnam has filed a suit against the Company in the Delhi High Court, claiming possession of the premises bearing No. R-7, Hauz Khas, New Delhi and arrears of rent/damages of Rs. 19, 80,000. The Company has also preferred a counter claim of Rs. 34, 76,023 against the above party. The case is in its early stages and the pleadings are yet to be completed and as such, it would be premature to assess the potential liability on the Company.
- ii. Datamatics Limited has filed a suit against the Company in the Delhi High Court, for prohibiting the Company from using the name "Datamatics" or any other similar trademark/corporate in respect of any of its good or services and also claiming damages in the sum of Rs. 20 lacs from the Company. The Court has restrained the Company from using the word "Datamatics" in relation to any goods or services. The Company has now changed its name to "Educomp Solutions Limited" by deleting the word "Datamatics".
- iii. Mr. R. S Singh, an ex-employee of the Company, has served a legal notice claiming compensation of Rs. 2.75 Lacs on account of mental agony etc following his alleged wrongful termination of service and has also demanded reinstatement of service. The Company has responded to the notice denying all his claims as baseless and untenable.

8. Outstanding Litigations against the Directors Of The Company

The details of the outstanding litigations against our directors are as follows:

- i. Anand Health Care Ltd has filed a claim against M/s Meditech Diagnostic Pvt. Ltd, in which Mr. Shantanu Prakash, Promoter of ESL, was a Director at the relevant time, before the National Consumer Dispute Redressal Commission, Delhi claiming compensation of Rs. 21,64,750/- on account of defective supplies and deficiency in service by Meditech Diagnostics. Meditech Diagnostic has been directed to verify the present status of the machine and the costs required for its repair and submit a report to the Commission. In the event the claim is allowed, the case would entail potential liability on Meditech Diagnostic Pvt. Ltd and /or Mr. Shantanu Prakash.
- ii. Infraline Technologies (India) Pvt. Ltd. has filed a case against Mr. Gopal Jain, Director of ESL, along with VIEW Enterprises (Mauritius) Ltd and others. VIEW Enterprises had made an equity investment in Infraline Technologies and the basis of the complaint was for the rights and obligations of VIEW Enterprises arising of the equity investment in Infraline Technologies. Mr. Gopal Jain was associated with VIEW Enterprises in his previous assignment as Managing Director, India in View Group L.P.

For further details, please refer to "Outstanding Litigation and Material Development" on page 151.

9. First generation entrepreneurs

The Company is promoted by first generation entrepreneurs and the investors will be subject to all consequential risk associated with such ventures.

Management Perception: The Promoters of the Company have more than 15 years of experience in the education industry. The promoters are well supported by a key executive team, which has diverse functional experience to manage the growth of the Company. The Company has a track record of delivering products and services to the satisfaction of the customers

10. Dependence on Key Management Team

We have a team of professionals who are responsible for the day-to-day operations and drive the business growth. We may lose our key management team to our competitors. If one or more members of our management team are unable or unwilling to continue with the company, we may find it difficult to replace such people and our business may be adversely affected.

Management Perception: The Company has a team of professionals who are responsible for the day-to-day operations and drive the business growth. Being in services industry, the Company's growth and operations are dependant on the management team, who are the key drivers. Post Issue,

the Company may adopt an ESOP Plan for its employees as a step towards retention of its senior and key management team members. However, no ESOP plans have been finalized as of now. The Company's senior management team members have been with the Company for many years.

11. Dilution due to any future equity offerings or ESOPs

Any future equity offerings or issue of options under the Company's Employee Stock Option Plan may lead to dilution of investors' shareholding in the Company.

Management Perception: Investors in this Issue may experience dilution of their shareholding to the extent the Company makes future equity offerings and adopts an Employee Stock Option Plan. However, the Company regards its Employee Stock Options Plan as an important tool for retention, motivation, high level performance.

12. Risks related to Merger & Acquisitions Activity

As a part of its growth and market leadership strategy, our Company may acquire certain best fit/ synergetic companies from time to time as a part of its growth strategy. Any fresh issue of shares or convertible securities or issues of warrants convertible into equity would dilute the shareholding of the existing share holders and such issuance may be done on terms and conditions, which may not be favourable to the then existing investors

Management Perception: Our Company shall adopt growth strategy in such a manner that it shall add a value to its existing shareholders. Any Merger & acquisition will be done after carefully analyzing all the risks, associated with it & the company shall adopt risk mitigation strategies including planning the management structure, processes, management growth, performance initiatives etc.

13. Security Risks

If the Company is unable to successfully protect its computer systems from security risks, its business could suffer.

Management's Perception: The Company has in place a security policy that requires complying with certain security obligations, including maintenance of network security, back-up of data, ensuring the network is virus-free and ensuring the credentials of its employees who work with its clients. The Company has a backup system for all its operations. The network and the computer systems have the latest security system and employees working on the network has to follow certain rules to ensure the security of the whole system.

14. Registration of Trade Marks

We have made an application to the Trade Mark Registry, New Delhi to register our brands, 'EcampusTM' and 'EdunetTM' in February 2000, 'Planet VidyaTM' in September 2000, 'Smart_ClassTM' in March 2003, 'EducompTM' in October 2004 and 'Roots to WingsTM' in April 2005. These brands have not yet been registered and are in the process of registration with the Trade Mark Registry. However, as a process of registration, our brand has been advertised in the Trademarks Journal of the Trade Marks Registry, Mumbai on February 1, 2002. In case we are unable to achieve successful registration of our trade names we may be subject to financial loss and loss of brand equity.

Management Perception: As per the Company policy we immediately file for registration for any trade name / logo used in any of the company products. All the brands are in process of being registered with the Trade Mark Registry in accordance with the law.

15. Contingent Liability against the Company

As on June 30, 2005, the contingent liability outstanding against the Company is as follows:

Particulars	(Rs. in Lacs)	
	June 30 th 2005	March 31 st 2005
Bank Guarantee	156.51	134.51
Claims against the company, not acknowledged as debt	20.22	20.22
Corporate Guarantee to third party	1700.00*	

*The Company has entered into an agreement with Learning Leadership Foundation on 15th June 2005 to provide an unconditional and irrevocable corporate guarantee for Rs 17 Crores in favour of UTI Bank Ltd.

16. Loss making ventures of the Promoters:

Some of the ventures promoted by our promoters have incurred losses in the previous years as follows:

Name of the group companies/firms	Quarter ended June 30, 2005	Rs. In Lacs		
		March 31, 2004	March 31, 2003	March 31, 2002
Learning Leadership		(0.26)	(0.12)	
Learning Links Foundation			(0.12)	
Edumatics Corp. Inc.	(11.04)		(22.62)	(112.43)
Educomp Learning Private Ltd.	(19.64)			

17. Issue of shares in the last 12 months

We have issued shares in the last one-year. For details please refer to the notes to the Capital Structure on Page 28. Further, On August 2 2005, the Company has issued bonus shares in the ratio of 1.45:1 to all the existing shareholders. The issuance of bonus shares has resulted in increased capital base for the company, leading to decline in the actual cost of acquisition per share for the shareholders holding shares as on August 2, 2005..

The company has made Preferential allotment for 10,00,000/- (Ten lacs only) Equity shares on 02.09.2005 @ 110/- per share against the par value of Rs 10/- each per share., resulting in share premium account of Rs 10,00,00,000/- (rupees ten crores only)

18. There is inconsistency in the Revenues & Profits of the Company over the years. There has been a substantial jump in Profits in year ended March 2005 vis-à-vis the year ended March 2004.

Management Perception: Over the years, the Company's growth has been consistent. The Company's revenues have been growing at an average of 20% over the years. The growth in Profits in year ended March 2005 is mainly due to the increase not only in the overall business of the company, but also within all business segments of the company.

Comparative Chart of FY05 vis-à-vis FY04 in respect of Revenues & gross margins
(Rs Crores)

Revenue segments	Professional Development	ICT Solutions	Smart class	Others	Total
FY05 Revenue	10.34	13.26	2.95	4.56	31.11 **
FY04 Revenue	8.09	14.49	0.89	1.98	25.54
Increase/ Decrease Revenue(%)	28% Increase	9% Decrease	231% Increase	130% Increase	21.81% Increase
Inc/ (Dec.) Revenue	2.25	(1.23)	2.06	2.58	5.66
FY05 Gross margins	6.74	3.26	0.63	1.15	11.78
FY04 Gross margins	5.01	3.78	(0.57)	(1.4)	6.82
Increase / Dec. Gross margins %	34% Increase	0.13 % Decrease	210% Increase	182% Increase	
Increase/ Decrease Gross margins	1.73	(0.52) lacs	1.2	2.55	4.96

**The above table brings out that out of total turnover of Rs. 32.11 Crores in FY 2005, Rs 31.11 Crores of revenue is attributable to business segments, which is depicted in the table above & Rs 1.01 crores pertains to unallocated income.

Segment Details:

Professional development – Rs 10.34 Crores revenue contributing to gross margin of Rs 6.74 Crores.

ICT solutions – Rs 13.26 Crores revenue contributing Rs 3.26 Crores gross margins

Smart Class – Rs 2.95 crores revenue contributing Rs 63 lacs gross margins

Others (Retail) – Rs 4.56 Crores revenue contributing Rs 1.15 crores gross margins.

The division “Smart Class”, which had made loss of Rs 57 lacs in FY 2004 has made a profit of Rs 63 lacs in FY 2005.

In FY 2004, the “Learning Mate” division, which had contributed NIL revenues, was hived off, with addition of full cost towards the Learning Mate team expenses for about 6 months amounting to 90 lacs, resulting in loss for that segment in FY 2004.

19. Dependence on Group Companies

The Company, to a sizable extent, depends on the orders placed by the trusts managed by the related parties. In FY 2005, Rs 1029.48 lacs of income (32.06% of total income) was generated from the trusts and in quarter ended June 30, 2005, Rs 199.70 lacs of income (36.64% of total income) was generated from the trusts. Please refer to related party transaction on Page 110 of this Draft Red Herring Prospectus.

Also, the Company sources contents from a group company. In FY 2005, the Company procured contents worth Rs 309.50 lacs from ELPL and these have been capitalised on the Company's Balance Sheet. Profit of ELPL amounting to Rs 120.56 lacs in FY 2005 is only on account of this transaction. As this was the only transaction made by ELPL in FY 2005. Please refer to related party transaction on Page 110 of this Draft Red Herring Prospectus.

Management Perception: A segment of the professional development and educational intervention market is traditionally conducted by and by convention handed out to entities that are “not for profit”, e.g. Azim Premji Foundation, America India Foundation, World-Links. The associates of the company viz. Learning Links Foundation and Learning Leadership Foundation, being such “not for profit” entities are able to secure such business easily. Since they lack the in-house capability of executing such businesses, the work is executed by Educomp. The company has secured itself by means of back to back contracts with the associates.

20. High Outstanding of Sundry Debtors

The Company has a very high level of Sundry Debtors with Rs 1912.90 lacs as on March 31, 2005 and Rs 1739.74 lacs as on June 30, 2005. Out of the total debtors, related party debtors accounted for Rs 644.50 lacs as on March 31, 2005 and Rs 605.51 lacs as on June 30, 2005.

Management Perception: The Company has a seasonality pattern wherein approximately 45% of the turnover is booked in the last quarter, being the quarter immediately preceding the beginning of new academic year as well as the quarter in which budget of various government department lapse. The typical pattern as per our government contract is that we raise a bill after performing the contractual services for a period of 3 months and it takes us 45 to 60 days to collect the payment. About 40-45% of our debtors are government debtors. The realization period from the related party debtors is normally 3 months subject to realization from the respective debtors of the associates.

B. EXTERNAL RISK FACTORS

1. The performance of our company depends, to a large extent, upon the Government policies on education. Any change in government policies or reallocation of the government budget away from education services could impact our business prospects.
2. Our products are closely linked to the prevailing education curriculum and systems. If there is a change in the education system, our products may need substantial change or may be rendered obsolete.

3. There are risks to our warehouses from fire, riots, vandalism, terrorism and other law and order problems.
4. There is a risk of increased hardware costs due to any increase in taxes, duties, levies etc on computer hardware by the government.
5. Exchange rate fluctuations may have an impact on the performance of the Company. The exchange rate between the Rupee and other currencies is variable and may continue to fluctuate in the future. Such fluctuations can have a serious impact on the revenues from our trading business.
6. After this issue, the price of the Equity Shares may be highly volatile or there may be no active market for the Equity Shares which may be due to following reasons:
 - a) Volatility in the Indian and global securities market;
 - b) Results of operations and performance of the Company;
 - c) Performance of the Indian economy and significant changes in India's fiscal laws
 - d) Adverse media reports about the Company or the industry
7. There has been no public market for the Equity Shares of the Company and their prices may fluctuate. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue or that the prices at which the Equity Shares are sold through this issue will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue
8. Any changes in the tax laws in India, particularly income tax, might lead to increased tax liability of the Company thereby putting pressures on profitability.

Notes to Risk Factors

- Public Issue of 40,00,000 Equity Shares of Rs. 10/- each for Cash at a Price of Rs. [●] per Equity Share aggregating to Rs. [●] million (the 'Issue'), consisting of a Fresh Issue of [●] Equity shares of Rs. 10/- each by the Company. The Issue comprises of a net Issue to the Public of [●] Equity Shares of Rs. 10/- each.
- The net worth of our Company before the Issue (as on March 31, 2005) was Rs. 2339.55 lacs & was Rs 2420.42 lacs (as on June 30, 2005).
- The average cost of acquisition of one Equity Share for the Promoters was Rs. 0.32 per Equity share for Mr. Shantanu Prakash & Rs 0.37 per Equity Share for Dr. Anjee Prakash.
- For related party transactions, refer to the section titled 'Related Party Transactions' and 'Transactions with Promoter/ Promoter Group' on 110 of this Draft Red Herring Prospectus.
- The Investors are advised to refer to the section titled 'Basis for Issue Price' on page 44 of this Draft Red Herring Prospectus before making an investment in this Issue.
- Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
- Investors may note that in case of over-subscription in the Issue, allotment to Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, see the section titled 'Basis of Allotment' at page 193 of this Draft Red Herring Prospectus.

Investors may contact the BRLM for any complaints, information or clarifications pertaining to the Issue.

SECTION III INTRODUCTION

I. Summary

The following summary is qualified in its entirety by the more detailed information and the financial statements of the Company that appear elsewhere in this Draft Red Herring Prospectus. Unless otherwise stated, all financial and other data regarding our business and operations presented in this Draft Red Herring Prospectus are presented on a consolidated basis.

Educomp Solutions Ltd. was incorporated on 7th September, 1994 as “Educomp Datamatics Private Limited” under the Companies Act, 1956 and was converted into “Educomp Datamatics Limited”, a Public Limited Company, on 18th September, 2000 and has grown as one of the leading technology driven innovative education companies in India. On 22nd August, 2005, the Company’s name was changed to “Educomp Solutions Limited”

Business Overview

We are in the business of developing educational content under our “Smart_Class™” program, which is aimed to improve teacher productivity and academic performance. We have developed innovative and path-breaking models for delivery of this content in the classroom. Teachers are able to access our large repository of educational content and use it as a part of their instructional process in the classroom. We also provide end-to-end education infrastructure solutions under the build, own, operate and transfer (BOOT) model for providing computer aided learning (CAL) programs in schools across the country. We also provide professional development training for teachers for both pedagogy and technology. We provide education process outsourcing by way of online tutoring and we also provide research and consulting services and distribute education software.

Our mission is to be among the top 10 Learning solutions companies worldwide by 2010 and reach out to 10 million learners through our products by 2008.

Management

The company is currently managed by the Board of Directors comprising 5 directors. The day-to-day affairs of the company are being managed by Mr. Shantanu Prakash, Managing Director, assisted by one Whole time director and other key management personnel. Their broad area of operations is as follows:

Mr Shantanu Prakash, Managing Director is responsible for the overall of the operations of the Company. He is a thought leader in Education space & drives the Mission & objective of the Company.

Mr Jagdish Prakash, whole Time Director, is responsible for warehousing & logistics & operational management.

II. The Issue

Particulars	No. of Equity Shares
Fresh Issue of Equity Shares	40,00,000 Equity Shares
Qualified Institutional Buyers Portion	Up to 20,00,000 Equity Shares <i>(Allocation on a discretionary basis)</i>
Non Institutional Portion	At least 6,00,000 Equity Shares <i>(Allocation on a proportionate basis)</i>
Retail Portion	At least 14,00,000 Equity Shares <i>(Allocation on a proportionate basis)</i>
Equity Shares outstanding prior to the Issue	1,19,59,783 Equity Shares
Equity Shares outstanding after the Issue	1,59,59,783 Equity Shares
Objects of the Issue	Please see the section entitled "Objects of the Issue" on page 35 of this Draft Red Herring Prospectus.

Under subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories including from over subscription at our sole discretion in consultation with the BRLM.

III. Financial Summary
Statement of Assets & Liabilities (As Restated)

(Rs. In Lacs)

	Particular	Quarter Ended At	Financial Year Ended At				
		30.06.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
A.	Fixed Assets						
	Gross Block	2645.20	2462.05	1869.91	1426.75	933.49	476.91
	Less : Depreciation	1421.67	1303.69	886.45	513.92	236.57	59.68
	Net Block	1223.53	1158.36	983.46	912.83	696.92	417.23
	Capital Work in Progress	162.50	200.17	28.39	10.09	17.44	84.61
	Total Fixed Assets	1386.03	1358.53	1011.85	922.92	714.36	501.84
	Investments	174.21	174.21	110.35	92.09	84.21	221.91
	Misc. Expenditure (to the extent not written off)	3.12	-	-	-	-	-
		1563.36	1532.74	1122.20	1015.01	798.57	723.57
B.	Current Assets, Loans & Advances						
	Inventory	84.41	100.51	85.30	75.72	106.91	145.29
	Sundry Debtors	1739.74	1912.90	1315.43	939.33	645.70	459.88
	Cash and Bank Balances	241.09	305.59	129.73	105.60	104.68	187.06
	Other Current Assets	100.20	2.31	44.43	43.72	0.00	0.00
	Loans and Advances	267.64	197.13	124.79	71.03	88.66	88.46
		2433.08	2518.44	1699.68	1235.40	945.95	880.69
C.	Liabilities& Provisions						
	Secured Loans	513.37	437.41	292.72	134.42	88.22	0.00
	Current Liabilities and Provisions	902.14	1101.27	669.62	460.22	226.10	343.33
	Deferred Tax Provisions	160.51	172.95	152.87	95.80	0.00	0.00
		1576.02	1711.63	1115.21	690.44	314.32	343.33
D.	Net-worth (A+B-C)	2420.42	2339.55	1706.67	1559.97	1430.20	1261.11
E.	Represented by						
	Share Capital	447.34	447.34	447.34	447.34	447.34	447.34
	Reserves and Surplus	1973.08	1892.21	1259.33	1112.63	982.86	813.77
	Net Worth	2420.42	2339.55	1706.67	1559.97	1430.20	1261.11

Note :

The fixed asset have not been revalued during any of the reported year-end / period.

Statements of Profits & Losses (As Restated)

(Rs. In Lacs)

	Particulars	Quarter ended	Financial Year				
		30.06.2005	31.03.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
A.	INCOME						
	Operational Income	535.25	2981.87	2475.00	2071.01	1774.21	1052.12
	Other Income	9.74	229.30	126.17	7.54	38.98	63.37
B.	Total Income	544.99	3211.17	2601.17	2078.55	1813.19	1115.49
C.	EXPENDITURES						
	Cost of Goods Sold	22.79	337.35	686.45	442.92	369.41	248.25
	Staff Cost	154.69	635.10	549.07	552.59	542.65	253.18
	Administration & Other Expenses	89.49	578.70	562.55	424.59	436.64	408.94
	Selling and Distribution Expenses	10.66	94.81	43.02	69.79	55.32	37.28
	Interest & Finance Charges	15.79	54.97	38.11	30.77	21.90	4.05
	Total Expenses	293.42	1700.93	1879.20	1520.66	1425.92	951.70
	Profit Before Depreciation , Tax and Extraordinary items	251.57	1510.24	721.97	557.89	387.27	163.79
	Prior period items	5.15	5.52	0.04	0.00	4.98	0.00
	Depreciation\Preliminary exp.	117.98	488.99	372.53	301.75	223.73	39.67
	Net Profit before tax and Extraordinary items	128.44	1015.73	349.40	256.14	158.56	124.12
	Provision for Taxation	60.00	362.77	80.29	51.00	32.50	10.25
	Provision for Deferred tax	(12.43)	20.08	80.51	29.02	0.00	0.00
	Net Profit after Extraordinary items as per audited statements	80.87	632.88	188.60	176.12	126.06	113.87
	Adjustment on account of changes in Accounting Policies as shown below:	0.00	0.00	-41.90	13.49	43.03	1.89
	Impact on Deferred Tax Liability	0.00	0.00	23.44	-6.93	0.00	0.00
	Impact on Depreciation	0.00	0.00	0.00	20.42	43.03	1.89
	Impact on Income	0.00	0.00	-65.34	0.00	0.00	0.00
	Net Profit as Restated	80.87	632.88	146.70	189.61	169.09	115.76
	Dividend on shares	0.00	0.00	0.00	0.00	0.00	0.00
	Tax on Dividend	0.00	0.00	0.00	0.00	0.00	0.00

Net Profit as Restated as per Audited Financial Statement	80.87	632.88	146.70	189.61	169.09	115.76
Add; Balance brought forward from previous year	1892.21	1259.33	1112.63	982.86	813.77	46.81
Share Premium Account	0.00	0.00	0.00	0.00	0.00	651.20
Lees: Deferred tax liability	0.00	0.00	0.00	59.84	0.00	0.00
Balance carried to Summary of Assets and Liabilities	1973.08	1892.21	1259.33	1112.63	982.86	813.77

EDUCOMP SOLUTIONS LIMITED**Registered Office:** 1211, Padma Tower-1, 5, Rajendra Place, New Delhi-110 008

Telephone: + 91-11- 25755920, 25762725, 25753258, 25749802-04 Fax: + 91-11- 25766775

Contact Person: Mrs. Sangeeta Gulati**Email:** investorgrievances@edumatics.com **Website:** www.educomp.com

Registered with Registrar of Company B-Block, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi – 110003.

IV. General Information**Board of Directors**

The company is currently managed by the Board of Directors comprising 5 directors. Mr. Shantanu Prakash is the Managing Director and manages the day-to-day affairs of the company. Our Board of Directors comprises the following persons:

Name	Designation
Mr. Shantanu Prakash	Managing Director
Mr. Shonu Chandra	Director
Mr. Sankalp Srivastava	Director
Mr. Jagdish Prakash	Whole-time Director
Mr. Gopal Jain	Director

Brief details Managing Director and Whole-time Directors

Mr. Shantanu Prakash, 40, Managing Director is the founder member of Educomp Solutions Limited and has been responsible for its overall operations since inception in September 7, 1994. He is an MBA from IIM, Ahmedabad and is an expert in education technology and pedagogy. He has pioneered several innovations in the area of education management, multimedia content and instructional delivery. Under his leadership Educomp has introduced several leading edge and innovative products. He is well recognized in the education space as an expert in the area of instructional technology.

Mr. Jagdish Prakash, 70, Director is responsible for warehouse management and logistics and operational issues. He has over 48 years of experience in materials management as well as logistics in Steel Authority of India limited as a Chief Materials Manager.

COMPLIANCE OFFICER**Mrs. Sangeeta Gulati****Vice President, Finance & Accounts**

Educomp Solutions Limited,

1211, Padma Tower-1, 5,

Rajendra Place, New Delhi-110 008

Tel: +91-11-25755920, 25762725, 25753258, 25762726

Fax: +91-11-25766775

Email: investorgrievances@edumatics.com

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

COMPANY SECRETARY**Mr. Arun Mishra****Company Secretary**

Educomp Solutions Limited,

1211, Padma Tower-1, 5,

Rajendra Place, New Delhi-110 008

Tel: +91-11-25755920, 25762725, 25753258, 25762726

Fax: +91-11-25766775

BANKERS TO THE COMPANY

State Bank of Patiala
30, Regal Building
Parliament Street, New Delhi-100001

BOOK RUNNING LEAD MANAGER**SBI Capital Markets Ltd.**

202, Maker Tower “E”,
Cuffe Parade,
Mumbai-400005
Tel: +91-22-22189166
Fax: +91-22-22188332
Website: www.sbicaps.com
Email: esl.ipo@sbicaps.com
Contact Person: Amit Kadoo

Karvy Investor Services Limited

“Karvy House”, 46 Avenue Street No. 4
Banjara Hills,
Hyderabad – 500 034
Tel: 91 40 23374714
Fax: 91 40 23374714
Website: www.karvy.com

LEGAL ADVISOR TO THE ISSUE**New Delhi Law Offices (South)**

C-62 B, 6th Floor, Super Mart-I,
DLF City-IV, Gurgaon, Haryana-122002 (INDIA)
Telefax : +91-124-5042521, 5042522
Website: www.ndlosouth.com
E-mail: mail@ndlosouth.com
Contact Person: Ranjeev Dubey

REGISTRARS TO THE ISSUE**Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai – 400 078
Tel: 91 22 5555 5491-94,
Fax: 91 22 5555 5499
Website: www.intimespectrum.com
Contact Person: Vishwas Attavar
Email : educomp@intimespectrum.com

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKERS**UTI Bank Limited**

North Zone Office
1st Floor, Ashok Estate,
24 Barakhamba Road,
New Delhi – 110001
Tel: 51515446/7/8
Fax: 23352747

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue

SYNDICATE MEMBER (S)

[•]

AUDITORS TO THE COMPANY

M/s. Anupam Bansal & Co.,
A-1-272, Safdarjung Enclave,
New Delhi-110029
Tel : +91-11-26183600, 26166900
Fax : +91-11-26166900

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMs

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

S. No	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments etc.	SBI CAPS, Karvy	SBI CAPS
2.	Due diligence of the Company's operations/management /business plans/legal etc.	SBI CAPS, Karvy	SBI CAPS
3.	Drafting and Design of the offer document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges Registrar of Companies and SEBI.	SBI CAPS, Karvy	SBI CAPS
4.	Drafting and approval of Issue and statutory publicity material, etc.	SBI CAPS, Karvy	SBI CAPS
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material.	Karvy , SBI CAPS	Karvy
6.	Appointment of Registrar, Bankers and Advertising Agency	Karvy , SBI CAPS	Karvy
7.	Appointment of Printers	Karvy , SBI CAPS	Karvy
8.	Marketing of the Issue, which will cover inter alia, - Formulating marketing strategies, preparation of publicity budget - Finalize media & PR strategy - Finalize centers for holding conferences for brokers, press, etc. - Finalize collection centers - Follow-up on distribution of publicity and issue material including application forms, RHP and deciding on the quantum of the issue material.	SBI CAPS, Karvy	SBI CAPS
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	SBI CAPS, Karvy	SBI CAPS
10.	Finalizing pricing and allocation.	SBI CAPS, Karvy	SBI CAPS
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	Karvy , SBI CAPS	Karvy
12.	The Post-issue activities of the Issue will involve essential follow-up steps, finalization of basis of allotment / weeding out of multiple application, etc. Major ones are : - Listing of securities - Dispatch of certificates and refunds - The various agencies connected with the work such as Registrars to the issue - Bankers to the issue and the bank handling refund business Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company	Karvy , SBI CAPS	Karvy

The selection of various agencies like the Registrar to the Issue, Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, Brokers, Advertising agencies, Public Relations agencies etc. will be finalised by the Company in consultation with the BRLMs.

Credit Rating

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

Trustees

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

Monitoring Agency

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

Book Building Process

Book Building refers to the process of collection of Bids, 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:

- Educomp Solutions Limited;
- The Book Running Lead Manager;
- The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the stock exchange (s) and eligible to act as underwriters. Syndicate Members are appointed by the BRLM;
- Escrow Collection Bank; and
- Registrars to the Issue

SEBI through its Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein (i) up to 50% of the net Issue to the public shall be allocated on a discretionary basis to QIBs (ii) not less than 15% of the net Issue to the public shall be available for allotment on a proportionate basis to Non-Institutional Bidders (iii) not less than 35% of the net Issue to the public shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid (s) after the Bid Closing Date/Issue Closing Date and for further details please refer to the section titled "Terms of the Issue" on page 169.

We will comply with the Guidelines issued by SEBI for this Issue. In this regard, we have appointed SBI Capital Markets Limited and Karvy Investor Services Limited as BRLMs to manage the issue and to procure subscriptions to the Issue.

The process of book building, under SEBI 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(s) in the Issue.

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of Rs. 3,000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs. 24 per share while another bid for 1,500 shares at Rs. 22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding 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	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

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

Steps to be taken by the Bidders for bidding:

- Check eligibility for bidding (please refer to the section “Issue Procedure – Who Can Bid” on page no. 175 of this Draft Red Herring Prospectus);
- Bidder necessarily needs to have a demat account; and
- 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 Offer Price and allocation of the Equity Shares but prior to the filing of the Prospectus with RoC, the Company and will enter into an Underwriting Agreement with the Underwriters for the Equity Share proposed to be issued through the Offer. It is proposed that, pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:
(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicative Number of Equity shares to be Underwritten	Amount Underwritten (Rupees In Million)

The above chart is indicative of the underwriting arrangement and this would be finalized after the pricing and actual allocation. The above Underwriting Agreement is dated [•]

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

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allotment to QIBs is discretionary as per the terms of this Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allotment to the QIBs could be different for the various Underwriters.

V. Capital Structure

Share capital as at the date of filing of Draft Red Herring Prospectus

Share Capital

		In Rs Lacs	
		<u>Aggregate Nominal Value</u>	<u>Aggregate value at Issue Price</u>
(A) Authorized Share Capital			
2,00,00,000	Equity shares of Rs.10/- each	2000.00	
(B) Issued, Subscribed and Paid-up Equity Capital			
1,19,59,783	Equity shares of Rs.10/- each fully paid up	1195.97	1221.30
(C) Present Issue to the public in terms of this Draft Red Herring Prospectus			
40,00,000	Equity Shares of Rs.10/- each fully paid up	400.00	
(D) Paid up capital after the Issue			
15959783	Equity shares of Rs.10/- each fully paid up	1595.97	•
(E) Share Premium Account			
	Before the Issue		1002.57
	After the Issue		•

Details of Increase in Authorised Capital

Date	Authorized Capital (Rs .)	Face Value (Rs.)	No. of Shares	Particulars
10.1.1994	500,000	10	50,000	Incorporation
09.02.1998	20,00,000	10	2,00,000	Increase
23.04.1999	40,00,000	10	4,00,000	Increase
12.05.2000	80,00,000	10	8,00,000	Increase
29.03.2001	5,00,00,000	10	50,00,000	Increase
26.07.2005	20,00,00,000	10	2,00,00,000	Increase

NOTES TO THE CAPITAL STRUCTURE:

1. Capital History.

Date of Allotment	No. of Shares	Cumulative Total Shares	Face Value (Rs)	Issue Price (Rs.)	Consideration	Cumulative Share Premium	Reasons for Allotment (Bonus, swap etc.)
01.10.1994	200	200	10	10	Cash	Nil	Allotment to Subscribers to the memorandum
06.03.1995	50	250	10	10	Cash	Nil	Equity to others through preferential allotment
28.03.1998	111,000	111,250	10	10	Cash	Nil	Equity to promoters through preferential allotment
30.03.1999	200,000	311,250	10	10	Cash	Nil	Equity to promoters through preferential allotment
15.01.2000	8,050	319,300	10	10	Cash	Nil	Equity to promoters & others through preferential allotment

23.02.2000	15,000	334,300	10	10	Cash	Nil	Equity to promoters through preferential allotment
31.03.2000	2,500	336,800	10	10	Cash	Nil	Equity to others through preferential allotment
01.06.2000	1,370	338,170	10	10	Cash	Nil	Equity to others through preferential allotment
21.06.2000	68,501	406,671	10	1587.57	Cash	10,80,64,990	Equity to others through preferential allotment
29.03.2001	4,066,710	447,3381	10	0	Non-Cash	6,51,208,02	10:1 Bonus Issue of Equity Shares*
02.08.2005	6,486,402	10,959,783	10	0	Non-Cash	256,782	1.45:1 Bonus Issue of Equity Shares**
02.09.2005	10,00,000	11,959,783	10	110	Cash	10,02,567,82	Equity to others through preferential allotment

* Out of Accumulated Share Premium of Rs. 10,80,64,990/-, the Company has utilized Share Premium amount to the extent of Rs. 4,06,67,100/- towards the issue of Bonus Shares to the existing shareholders.

** Out of Accumulated Share Premium of Rs. 6,51,208.02/-, the Company has utilized Share Premium amount to the extent of Rs. 6,48,64,020/- towards the issue of Bonus Shares to the existing shareholders.

*** Preferential allotment for 10,00,000/- equity shares have been made @110/- per share against the par value of Rs 10/- each per share, resulting in share premium account of Rs 10,00,00,000/- (Rupees ten crores only)

2. Details of Promoter Contribution and lock-in

Promoter	Date of allotment	No. of Shares	Face Value (Rs.)	Issue Price (R s.)	Consideration (Rs.)
Shantanu Prakash	01.10.1994	100	10	10	1,000
	28.03.1998	58,000	10	10	5,80,000
	30.03.1999	2,00,000	10	10	20,00,000
	23.02.2000	15,000	10	10	1,50,000
	29.03.2001	27,56,000	10	NA	Bonus
	02.08.2005	55,52,066	10	NA	Bonus
	Total	8581166			
Anjee Prakash	01.10.1994	100	10	10	1,000
	28.03.1998	53,000	10	10	5,30,000
	15.01.2000	50	10	10	500
	29.03.2001	5,32,000	10	NA	Bonus
	02.08.2005	8,48,395	10	NA	Bonus
	Total	1433545			

Final Shareholding of Promoters:

Name of Promoter	Shares Allotted as per Table above	Add: Shares acquired by way other than allotment	Less: Shares Transferred	Pre issue Shareholding
Shantanu Prakash	8581166	800011	525100	88,56,077

Anjlee Prakash	1433545	50	100	14,33,495
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Note

Mr. Shantanu Prakash acquired 2500 shares from Mr. Chittaranjan Barik on 24.11.2000, 4000 shares from Mrs Rajni Cummargunta on 05.04.2001, 40,000 shares from Mrs Rajni Cummargunta on 05.04.2001, 753511 shares from First Carlyle Ventures Mauritius on 07.07.2005 and transferred 100 share to Mr Ashok Mehta on 05.04.2001 and 5,25,000 shares to View Advisors Pvt. Ltd. on 23.08.2005

Dr. Anjlee Prakash acquired 10 shares from Mrs Pimmi Malhotra, 10 shares from Mr Ravi Malhotra, 10 shares from Mrs Shruti Prakash, 10 shares from Mr. Lalita Prakash, 10 shares from Mr. Jagdish Prakash on 28.12.1999, and transferred 100 share to Mr Mansoor Raza on 05.04.2001

Lock in of Minimum Promoters Contribution

Name	Date of allotment	Consideration	No. of Shares	Face Value	Issue Price	% of post issue	lock in period
Shantanu Prakash	02.08.2005	Bonus	2763909	10	-	17.32%	3 years from the date of allotment in the issue
Anjlee Prakash	02.08.2005	Bonus	428048	10	-	2.68%	3 years from the date of allotment in the issue
Total			3191957	10	-	20%	3 years from the date of allotment in the issue

The above promoters have vide their letter dated August 23, 2005 given their consent for lock in as stated above. The minimum promoters' contribution shall be locked in for a period of 3 years beginning from the date of allotment in the public issue. Shares issued last shall be locked in first. The balance promoters' contribution shall be locked in as follows:

Name	No. of Shares	Face Value	Issue Price	% of post issue	lock in period
Shantanu Prakash	6092168	10	-	38.17	1 year from the date of allotment in the issue
Anjlee Prakash	1005447	10	-	6.30%	1 year from the date of allotment in the issue
Total	7097615	10	-	44.47%	1 year from the date of allotment in the issue

The entire pre-issue capital, other than that locked in as minimum promoters contribution shall be locked in for a period of one year from the date of allotment.

Further any participation in the present issue by the promoters shall be locked in for a period of one year from the date of allotment in the issue.

The Promoter, Promoter Group or the Directors have not purchased or sold any Equity Shares from the market during a period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI except as follows:

Transferee	Transferor	No of Shares	Date of Transfer
Shantanu Prakash	First Carlyle Ventures Mauritius	753511*	07/07/2005
View Advisors Pvt. Ltd	Shantanu Prakash	525000**	23/08/2005
Jagdish Prakash	Ganesh Kumar	4082	27/07/2005
Sankalp Shrivastav	Ganesh Kumar	2041	27/07/2005
Sonu Chandra	Ganesh Kumar	2041	27/07/2005
Shruti Prakash Joshi	Ganesh Kumar	8164	27/07/2005
Lalita Prakash	Ganesh Kumar	4082	27/07/2005
SEI Technology Ltd.	Ganesh Kumar	11348	27/07/2005

Note:

* For details please refer to Agreements with First Carlyle Ventures Mauritius on Page 80

** The transfer is being done in 3 tranches.

- Mr. Shantanu Prakash has transferred 1,25,000 shares (tranche I) @ Rs. 10 per share
- Mr. Shantanu Prakash has transferred a further 100,000 shares (tranche 2) at Rs. 10 per share
- Mr. Shantanu Prakash has transferred further 300,000 shares and the consideration would be at "IPO price"

VAPL has made payment of Rs. 10 per share for Tranche I shares and Rs. 1 per share for Tranche 2 and 3 shares to Mr. Shantanu Prakash. Tranche 2 and 3 shares are lodged with an Escrow agent and will be released to VAPL when VAPL pays the balance moneys i.e. Rs. 9 per share in case of Tranche 2 shares and IPO price - Rs. 1, in case of Tranche 3 shares.

Shareholding of Promoter Group (Excluding main Promoters)

The shareholding of promoter group is as follows:

Category – Promoter Group	Date Acquired	No. of shares	Nature of Issue	Issue Price
Individuals				
Jagdish Prakash	27.07.2005	4082	Purchase*	10
	02.08.2005	5918	Bonus	-
Lalita Prakash	27.07.2005	4082	Purchase*	10
	02.08.2005	5918	Bonus	-
Shruti Prakash Joshi	27.07.2005	8164	Purchase*	10
	02.08.2005	11836	Bonus	
Sub-total (a)		40000		
Group Companies				
SEI Technology Pvt. Ltd	27.07.2005	11348	Purchase*	10
	02.08.2005	16452	Bonus	
Sub-total (c)		27800		
Promoter Group's Total Shareholding [(a)+(b)]		67800		

* Mr. Ganesh Kumar transferred 4082 equity shares to Mr. Jagdish Prakash, 4082 equity shares to Mrs. Lalita Prakash, 8164 equity shares to Mrs. Shruti Prakash Joshi and 11348 equity shares to Mr. SEI Technology Pvt. Ltd. on July 27, 2005

3. Pre-issue & post-issue shareholding pattern:

Category	Pre Issue		Post Issue	
	Shares	%	Shares	%
Promoters				
Shantanu Prakash	8856077	74.05	8856077	55.49
Anjlee Prakash	1433495	11.99	1433495	8.98
Sub-total (a)	10289572	86.04	10289572	64.47
Promoter Group				
Individuals				
Jagdish Prakash	10000	0.08	10000	0.06

Lalita Prakash	10000	0.08	10000	0.06
Shruti Prakash Joshi	20000	0.17	20000	0.13
Sub-total (b)	40000	0.33	40000	0.25
Group Companies				
SEI Technology Pvt. Ltd	27800	0.23	27800	0.18
Sub-total (c)	27800	0.23	27800	0.18
Promoter Group's Total Shareholding [(a)+(b)+(c)] - (A)	10357372	86.60	10357372	64.90
Others	1602411	13.40	1602411	10.04
Public			4000000	25.06
Sub total (B)	1602411	13.40	5602411	35.10
Grand Total [(A)+(B)]	11959783	100	15959783	100

4. **Buyback and Standby arrangement**

There is no "buy back" or "stand by" arrangement for purchase of Equity Shares by the Company, its Promoters, Directors, or Lead Managers for the Equity Shares offered through this Draft Red Herring Prospectus.

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

6. The Equity Shares offered through this public issue will be fully paid up.

7. In this Issue, in case of over-subscription in all categories, upto 50% of the Net Issue to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 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 category shall be allowed to be met with spillover from any other category at the sole discretion of the Company and the BRLMs.

8. Top ten shareholders as on date of filing of the DRHP with SEBI i.e. as on September 9,2005

Sr. no.	Name of Shareholders	No. of shares	%age
1.	Shantanu Prakash	8856077	74.05
2.	Anjlee Prakash	1433495	11.99
3.	RoopChand Bhanshali (HUF)	1000000	8.36
4.	View Advisors Pvt. Ltd.	525000	4.39
5.	Edelweiss Capital Ltd.	36922	0.31
6.	SEI Technology Pvt. Ltd	27800	0.23
7.	Sangeeta Gulati	21000	0.18
8.	Shruti Prakash Joshi	20000	0.17
9.	Jagdish Prakash	10000	0.08
10.	Lalita Prakash	10000	0.08

(to be updated at the time of filing the Red Herring Prospectus with the RoC)

9. Top ten shareholders 10 days prior to the date of filing of the DRHP with SEBI i.e. as on August 31,2005

Sr. no.	Name of Shareholders	No. of shares	%age
1.	Shantanu Prakash	8856077	80.81

2.	Anjlee Prakash	1433495	13.08
3	View Advisors Pvt.limited	525000	4.79
4.	Edelweiss Capital Ltd.	36922	0.34
5.	SEI Technology Pvt. Ltd	27800	0.25
6	Sangeeta Gulati	21000	0.19
7.	Shruti Prakash Joshi	20000	0.18
8.	Jagdish Prakash	10000	0.09
9.	Lalita Prakash	10000	0.09
10.	Ganesh Kumar	8000	0.07

(to be updated at the time of filing the Red Herring Prospectus with the RoC)

Top ten shareholders as on two years prior to the date of filing of the DRHP with SEBI i.e. as September 9, 2003

Sr. no.	Name of Shareholders	Total Shares	% age
1	Mr. Shantanu Prakash	3075500	68.75
2	First Carlyle Ventures, Mauritius	753511	16.84
3	Dr. Anjlee Prakash	585100	13.08
4	M.R. Ganesh Kumar	44000	0.98
5	Edelweiss Capital Limited	15070	0.34
6	Ashok Mehta	100	0.002
6	Mansoor Raza	100	0.002

(to be updated at the time of filing the Red Herring Prospectus with the RoC)

10. As of the date of the Draft Red Herring Prospectus, there are no outstanding financial instruments or any other right, which would entitle the existing Promoter or shareholders, or any other person any option to receive Equity Shares after the offering. The company does not have any outstanding ESOP.
11. **Shares Issued for consideration other than cash**
 - a. On March 29, 2001, the company has issued 4,066,710 bonus shares in the ratio of 10 shares for every 1 share held in the Company by capitalization of Rs. 406.67 lacs from the Share Premium Reserve.
 - b. On August 2, 2005, the company has issued 6,486,402 bonus shares in the ratio of 1.45 shares for every 1 share held in the Company by capitalization of Rs. 648.64 lacs from the Share Premium Reserve.
12. The shares held by persons other than the Promoters, prior to the Issue, which are locked-in may be transferred to any other person holding shares which are locked in subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
13. The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares may be transferred amongst Promoter/Promoter group or to a new Promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
14. The Company has not issued any shares out of revaluation reserves.
15. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Draft Red Herring Prospectus have been listed.

16. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the 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 except in case the company goes in for acquisitions as specified in the objects of the issue for which the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition. The company has already identified the strategic fit potential acquisition target in the education space. The details of such prospective acquisitions cannot be disclosed due to Non Disclosure commitments in place. The company plans to use a combination of cash & Stock as a currency for the acquisitions.
17. There shall be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
18. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
19. The company has 16 shareholders as on the September 9, 2005.
20. Shares issued in the last one year

Name	Date	No of Shares	Issue Price	Reason
Promoters				
Shantanu Prakash	02.08.2005	5552066	-	Bonus Issue
Anjee Prakash	02.08.2005	848395	-	Bonus Issue
Promoter Group				
Jagdish Prakash	02.08.2005	5918	-	Bonus Issue
Lalita Prakash	02.08.2005	5918	-	Bonus Issue
Shruti Prakash Joshi	02.08.2005	11836	-	Bonus Issue
SEI Technology Pvt. Ltd	02.08.2005	16452	-	Bonus Issue
			-	Bonus Issue
Others	02.08.2005	45817	-	Bonus Issue
	02.09.2005	1000000	110	Equity to others through preferential allotment
Total		7486402	-	Bonus Issue plus equity issue through preferential allotment.

21. There are restrictive covenants in the agreements that the Company has entered into with certain banks and financial institutions for short-term loans and long-term borrowings. Some of these restrictive covenants require the prior permission of the said banks/financial institutions for certain activities for example, restrictions pertaining to the declaration of dividends, alteration of the capital structure, entering into any merger/amalgamation, expenditure in new projects, transfer change in the key personnel, change in the constitutional documents and the right to appoint a nominee director on the Board of Directors of the Company upon an event of default.

VI. Objects of the Issue

The net proceeds from the Issue after deducting underwriting Commission and management fees, brokerage; fees to various advisors and all other Issue related expenses are estimated at Rs [•] lacs. The proceeds from the Issue of shares are intended to be deployed for:

- a. Funding the Capex required for the Smart_Class™ project
- b. Funding the capital expenditure required for the Education Infrastructure Projects executed by the company under the BOOT model
- c. Funding the capital expenditure for the content development facility in Bangalore, India for US Smart_Class™ program
- d. Funding the capital expenditure for the facility in New Delhi for Online tutoring project
- e. To invest in the US subsidiary towards enhancement of sales and marketing
- f. Funding the proposed M & A activities
- g. To meet the expenses of this issue

The other object of the issue is to get the shares listed on the Stock Exchanges and to provide liquidity to our shareholders

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised by the Company, through the Issue

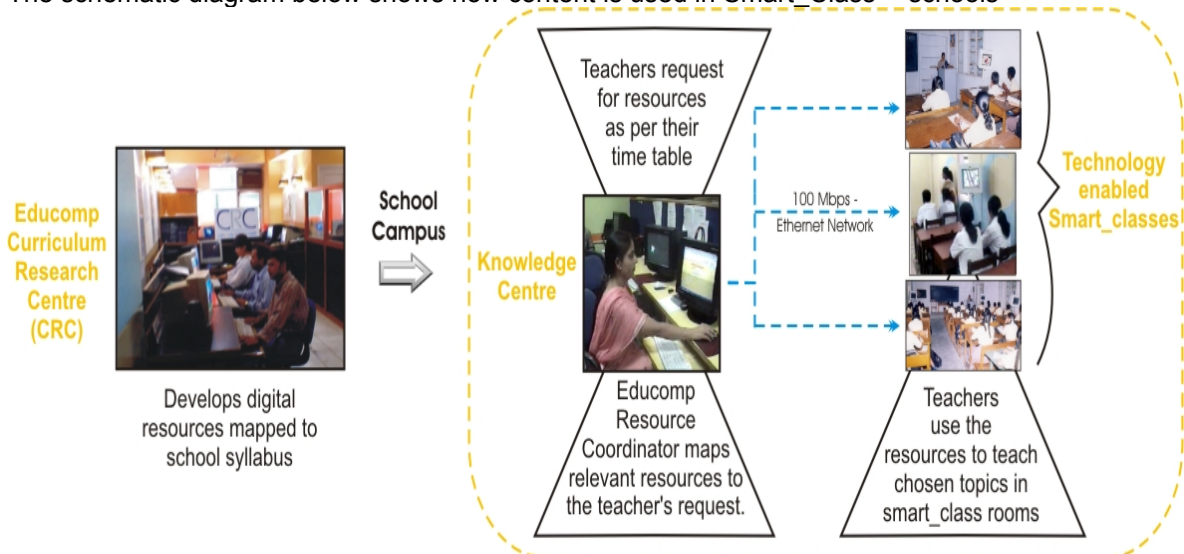
Fund Requirements:

Particulars	Amount (Rs Lacs)
Capital expenditure for Smart_Class™ project	1593.45
Capital expenditure for Turkey Projects executed by the company under the BOOT model	3083.15
Capital expenditure for content development facility in Bangalore India for US Smart_Class™ program	1098.00
Capital expenditure for facility for Online Tutoring project in Delhi and Bangalore	165.50
Investment in US Subsidiary	805.14
M & A activity	1000.00
Issue expenses	[•]
Total	[•]

1. Capital expenditure for Smart_Class™ project

As a part of the business model of the Company, the Company provides educational teacher led content catering to students from Kindergarten to Class 12 (K12) to various schools & signs long term contracts with them. The delivery of the content in the classroom is facilitated by way of providing infrastructure, consisting of computer, networking and display systems. These infrastructure & related accessories work as a back end support for the content and are essential for the delivery of the content into the classroom.. All the classrooms are connected in a LAN system connected to a central server in the school where the content repository of the company is hosted. By providing a total solution consisting not only of the educational content but also the backend infrastructure the company is able to secure more orders by lowering the entry cost of the schools to choose the Smart_Class™ solution. The Company has to make investment in the IT infrastructure at the start of the contract while the revenues are generated over the lifetime of the contract. Due to this, sizeable investments are to be made by the Company at the start of a Smart_Class™ contract.

The schematic diagram below shows how content is used in Smart_Class™ schools



The Company foresees a rapid growth in the number of schools opting for the Smart_Class™ program. The company expects 225 schools to be signed for the Smart_Class™ over a period of next two years. Each school on an average is estimated to have 10 classrooms running Smart_Class™. The cost of computers & other hardware is estimated to be Rs 578,200 per school and cost of furniture & fixtures is estimated to be Rs 130,000 per school. The total cost is estimated to be Rs 1593.45 lacs, which is as follows:

Particulars	Amount in Rs. Lacs
Computers & other hardware cost	1300.95
Furniture & Fixtures	292.50
Total	1593.45

Break-up of cost of computer & other hardware per school

Particulars	No of Units	Per Unit Cost (Rs)	Total (Rs)
Computers	13	18500	240500
UPS	13	2000	26000
Server	1	50000	50000
Printer	1	10000	10000
Monitors	10	1500	15000
Speaker	10	550	5500
Switch	1	7200	7200
I/O with SMPS (Switch Mode Power Supply)	10	400	4000
Total per School			578200

Break-up of cost of furniture & fixtures per school

Particulars	No of Units	Per Unit Cost (Rs)	Total (Rs)
Teacher Tables	10	3300	33000
Casing	40	2000	80000
R. G. Cable	500	26	13000
Rack	1	4000	4000
Total per School			130000

Year Wise break-up

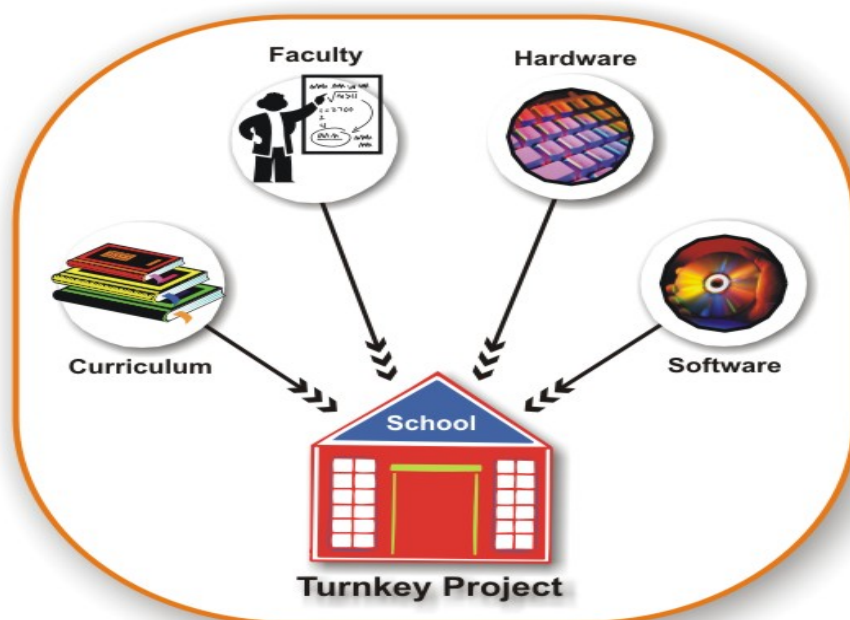
	FY 2006	FY 2007	Total
No of Schools projected for addition	75	150	225
(In Rs Lacs)			
Total Cost of Computers and other hardware @ Rs 578200 per school	433.65	867.30	1300.95
Total Cost of furniture and fixtures @130000 per school	97.50	195.00	292.50
Total	531.15	1062.30	1593.45

Implementation schedule

From the time Company signs the contract with a school for Smart_Class™, it takes up to a maximum of 60 days for the installation of IT infrastructure in the school.

2. Capital expenditure for Education Infrastructure Projects under BOOT model

The company foresees a growth in the number of contracts for Education Infrastructure Projects under the BOOT model. In such projects, the company enters into contracts with various government / semi-government bodies wherein the company is responsible for setting up computer education labs in schools as a part of the government initiative to bridge the digital divide. These computer labs are utilized for the purposes of computer aided learning in the school. As a part of the contract, the Company provides IT infrastructure, the educational software, digital contents, Professional Development and also monitoring and supervision of the contract. Further, the company provides these services throughout the period of the contract. The company taps into funds available under various schemes including the Sarva Shiksha Abhiyan (SSA) and the ICT@School projects under the Ministry of Human resources Development. Like for Smart_Class™, in Education Infrastructure project also, the Company is responsible for installation of IT infrastructure in all the schools, which fall under the contract. The company has to make an investment in the IT infrastructure at the start of the contract while the revenues are generated over the lifetime of the contract. Due to this, sizeable investments are to be made by the company at the start of an Education Infrastructure contract. The schematic diagram below represents our deliverables under these projects.



The company expects 1150 schools to be covered under all the Education Infrastructure contracts, which the company expects to be, signed over a period of next two years. Each school on an average is estimated to have 10 computers. The cost of computers & other hardware is estimated to be Rs 240,900 per school and the cost of furniture & fixtures is estimated to be Rs 27,200 per school. The total cost is estimated to be Rs 3083.15 lacs, which is as follows:

Particulars	Amount in Rs. Lacs
Computers & other hardware cost	2770.35
Furniture & Fixtures	312.80
Total	3083.15

Break-up of cost of computer & other hardware per school

Particulars	No of Units	Per Unit Cost (Rs)	Total (Rs)
Computers	10	18500	185000
UPS	10	2000	20000
Laser Printer	1	10000	10000
Desk Jet	1	4000	4000
Scanner	1	3500	3500
Switch	1	7200	7200
16-Port	1	300	300
UTP (Unshielded Twisted Pair) Cable box	3	2300	6900
I/O with SMPS (Switch Mode Power Supply)	10	400	4000
Total per School			240900

Break-up of cost of furniture & fixtures per school

Particulars	No of Units	Per Unit Cost (Rs)	Total (Rs)
Teacher Tables	10	1500	15000
Chair	20	350	7000
Printer Table	1	1200	1200
Rack	1	4000	4000
Total per School			27200

Year Wise break

	FY 2006	FY 2007	Total
No of Schools projected for addition	400	750	1150
(In Rs Lacs)			
Total Cost of Computers and other hardware @ Rs 240900 per school	963.30	1806.75	2770.35
Total Cost of furniture and fixtures @ Rs 27200 per school	108.80	204.00	312.80
Total	1072.40	2010.75	3083.15

Implementation schedule

From the time Company signs the Education Infrastructure contract, it takes up to 45 days for the installation of IT infrastructure or any other extended time as mutually agreed.

3. Capital expenditure for the offshore facility for developing Smart_Class™ content for US market

The Company currently has two content development facilities for Smart_Class™ content used in India at New Delhi and Bangalore. Going forward, the Company plans to market Smart_Class™ content to schools in United States of America (USA). The content needs for the US markets are significantly different than the content requirements for the Indian market due to language, cultural orientation, enhanced use of 3D development technologies and conformance to US learning standards. Hence, new content needs to be

developed for the US market. The company proposes to set up a new facility in Bangalore for developing Smart_Class™ contents for the US market. The total number of modules required for the US market is estimated to be 750 modules of core content, which shall be further repurposed to the curriculum of the different states in the US.

To start with, this offshore facility shall have 300 employees. The office space required is estimated to be 80 sq ft per employee. The infrastructure cost is estimated to be Rs 3,700 per sq ft, i.e.(Rs 2500 per sq feet towards infrastructure & Rs 1200 per sq feet towards furniture & fittings)and cost towards hardware & software is estimated to be Rs 70,000 per employee. The total cost is estimated to be Rs 1098 lacs, which is as follows:

Particulars	Total Cost (in Rs lacs)
Infrastructure	888.00
Computer hardware & software	210.00
Total	1098.00

Break-up of cost of computer & software per employee

Particulars	Cost (in Rs)
Computers, printers, UPS, networking etc	30000
Macro media studio MX & 3D Studio MAX	40000
Total	70000

Break-up of cost of infrastructure per sq. feet

Particulars	Cost (in Rs)
Office Space	2500
Furniture & Fittings	1200
Total	3700

Year wise break

FY	2006
No of employees	300
Total No. of sq. feet @ 80 sq. feet per employee	24,000
(In Rs Lacs)	
Total Cost for infrastructure @ Rs 3700 per sq. feet	888.00
Total Cost for computer hardware & software @ Rs 70000 per employee	210.00
Total	1098.00

Details of any land acquisition or site short-listed:

The company has identified the locations and the specific premises for setting up of the offshore development centre in Bangalore at Koramangala , Outer Ring Road, ITPL and Bannerghatta Road.

Implementation schedule

Educomp has planned to set up a Content Development Center (CDC) exclusively dedicated to creating global content. The various steps involved in setting up the CDC facility are given along with the status as on date.

STEPS	STATUS OF ACTIVITY
1. Identifying premises for setting up CDC.	We have already identified premises as stated above.
2. Procurement of equipment.	We have already identified vendors for procurement of equipment
3. Vendor quotations	Will be invited subsequently.
4. Identification and recruitment of Key Personnel.	Educomp plans to utilise the Leadership team of its existing Content facility to recruit and train the staff for the new facility. We would be releasing advertisements for recruiting personnel by end September, 05.

4. Capital expenditure for the offshore facility for online tutoring for US market

The Company intends to grow its online tutoring business and proposes to set up a facility in Delhi with 50 tutors. The office space required is estimated to be 80 sq ft per tutor. The infrastructure cost is estimated to be Rs 3,700 per sq ft and cost of computer hardware & software is estimated to be Rs 35,000 per tutor. The total cost is estimated to be Rs 165 lacs, which is as follows:

Break-up of cost of computer & software per tutor

Particulars	Cost (in Rs)
Computers, printers, UPS, networking etc	30000
Tutoring software	5000
Total	35000

Break-up of cost of infrastructure per sq. feet

Particulars	Cost (in Rs)
Office Space	2500
Furniture & Fittings	1200
Total	3700

	FY 2006
No of tutors	50
Total No. of sq. feet @ 80 sq. feet per tutor	4000
	(In Rs Lacs)
Total Cost for infrastructure @ Rs 3700 per sq. feet	148.00
Total Cost for computer hardware & software @ Rs 35000 per employee	17.50
Total	165.50

Implementation schedule

STEPS	STATUS OF ACTIVITY
1. Identifying premises for setting up Online Tutoring facility.	We have already identified premises in Rajendra Place, Bhikaji Cama Place and Gurgaon (NCR)
2. Procurement of equipment.	We have already identified vendors for procurement of equipment
3. Vendor quotations	Will be invited subsequently.
4. Identification and recruitment of Key Personnel.	Educomp plans to utilise the Leadership team of its existing tutoring facility to recruit and train the staff for the new facility. We would be releasing advertisements for recruiting personnel by end Sept, 05.

5. Investment in US Subsidiary

The company has identified the US as a major market in its growth plans both for the Smart_Class™ project as well as the online tutoring business. The Company's US subsidiary, Edumatics Corporation, USA will serve as a sales and marketing arm of the Company. In order to make inroads in the US market the company proposes to invest Rs 805.14 lacs in its US subsidiary, Edumatics Corporation, USA, over a period of next two years.

The funds would be used for setting up a new office in California, USA as well as for the salaries of the employees and the marketing expenses in the first two years. This is necessary as during the initial period Edumatics Corporation, USA might not be able to generate enough revenues to sustain its operation costs. The investment in Edumatics Corporation, USA is as follows:

Particulars	Cost (in Rs Lacs)
Investment in FY2006	378.00
Investment in FY2007	427.14
Total	805.14

The rental for the office space is estimated to be USD 6000 per month with 5% annual inflation rate.

Edumatics Corporation, USA currently has 3 employees and plans to hire 2 more employees. The break-up of staff and the salary structure is estimated as follows:

Particulars	No	Salary (USD per month)
CEO	1	10000
Manager	2	8000
Support Staff	2	7000
Inflation		10%

The travelling and other administrative costs are estimated to be USD 4000 per month for the CEO and USD 3000 per month for other staff with an escalation of 20% in the second year.

The marketing and event management cost is estimated to be USD 8000 per month with an escalation of 20% in the second year.

The exchange rate is assumed to be USD 1 = Rs 45

Year wise break

FY	(in Rs Lacs)		
	2006	2007	Total
US Office Rental	32.40	34.02	66.42
Manpower Cost	216.00	237.60	453.60
Travel & other Administrative cost	86.40	103.68	190.08
Marketing & Event Management costs	43.20	51.84	95.04
Total Cost	378.00	427.14	805.14

6. M & A Activities

The Company plans to spend up to Rs 1000 lacs within the next 2 years, for acquisitions of companies operating in the educational technology domain in India to strengthen its business portfolio and to increase its share of the education supply chain.

Educomp proposes to enter new areas of the education supply chain through strategic acquisitions. We have identified the following areas in which we would target acquisitions

- companies in the test prep market
- content developers
- publishing companies
- higher education service providers
- education technology companies

At present the Company has identified some companies in the “test prep” and “education technology” domain, which have a good strategic fit with the business activities of the company.

Educomp has put in place an acquisitions strategy, which would inter alia include looking at the intellectual property portfolio of the company, the market share, free cash flows and top management experience. Our broad strategy would be to look at profitable yet undervalued companies with a good strategic fit and complementary business portfolio. If the company is a good fit with our strategy, we will move to initiate discussions with the management. We propose to use a combination of cash and stock to make acquisitions. We estimate to close at least one potential acquisition within the current financial year. In case the acquisition price exceeds the amount allocated for in this present issue, the company will bridge the gap via internal accruals or by raising additional capital or debt.

7. Expenses of the Issue:

The expenses for this Issue include underwriting and management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. [•] lacs being, which will be paid by the Company.

Sr. No.	Particulars	Amount Rs. Lacs
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

Particulars	Total (Rs Lacs)
Equity	
- Internal Accruals	2165.24
- Public Issue	[•]
Total	[•]

The requirement of the funds is proposed to be funded through internal accruals and IPO. Excess money, if any, will be utilized for general corporate purpose including but not restricted to repayment of loans. The project has not been appraised by external agencies and as such all the fund requirements are based on management estimate.

Funds Deployed:

We have deployed Rs 139.43 lacs till August 5, 2005. The details of the same is as follows:

Particulars	Amount (Rs Lacs)
Smart Class	125.18
ICT Solutions	14.25
Total	139.43

Source of Financing of funds already deployed:

The deployment of funds were made through mix of internal accruals and equipment finance.

Interim Use of Funds:

Pending utilization of funds as stated 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. These investments would be authorised by our Board or a duly authorised committee thereof.

BASIC TERMS OF ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles 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 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.

Basis for Issue Price

The Issue Price will be determined by the Company in consultation with the BRLMs 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 page number 10 to 16 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 you may lose all or part of your investments.

Qualitative Factors:

- The Company has vast repository of Smart_Class™ Content, which the Company has built over a period of time. Please refer the Business Section for Smart_Class™ description
- The Company has established name in the education technology sector
- The promoters have wide experience in the education space
- The Company is planning to enter the US market, which has huge growth potential as covered in the Industry Section

Quantitative Factors:

1. Adjusted Earnings Per Equity Share

Year	Earnings per Equity Share	Weight
2002-03	4.24	1
2003-04	3.28	2
2004-05	14.15**	3
Weighted Average	8.88 **	

****EPS for FY 2005 after issuance of bonus shares and preferential allotment is 5.29 and Weighted Average EPS after issuance of bonus shares and preferential allotment is 3.32**

Note:

- a. The Earnings per Equity Share has been computed on the basis of adjusted Profits & Losses for the respective years/periods after considering the impact of accounting changes and prior period adjustments / regroupings pertaining to the earlier years.
- b. EPS calculations have been done in accordance with Accounting Standard 20- "Earnings per Share" issued by the Institute of Chartered Accountants of India.
- c. The denominator considered for the purpose of calculating earning per share is the weighted average number of Equity Shares outstanding during the period.

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

- a. Based on the year ended March 31, 2005 Adjusted EPS of Rs. [.]
- b. Industry P/E

3. Return on Networth (RoNW)

Year	RoNW %	Weight
2002-03	12.68	1
2003-04	8.98	2
2004-05	31.28	3
Weighted Average	20.75	

Note:

- a. The average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/regroupings pertaining to earlier years.

4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS: [.]**5. Net Asset Value per share (NAV)**

	NAV
NAV per share as on March 31, 2005	52.30**
NAV per share as on June 30, 2005	54.11**
Issue Price	[●]
NAV after the Issue	[●]

**** After the issuance of bonus share and preferential allotment NAV per share as on March 31, 2005 is 19.56 and NAV per share as on June 30, 2005 is 20.24**

Note:

- a. Net Asset Value Per Share = Equity Share Capital *plus* Reserves & Surplus *less* Miscellaneous Expenditure to the extent not written off /No. of Equity Shares

6. Comparison with Industry Peers

The Company is in the business of providing digital contents & IT education to schools, online tutoring, Professional Development, retailing of educational & games CD-ROMS, and providing ERP solutions to schools. There are no comparable listed companies and hence comparison with peer group is not given.

7. The face value of Equity Shares of ESL is Rs. 10 and the issue price is [●] time of the face value.

The Issue Price of Rs. [●] has been determined by the Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.

TAX BENEFITS

The auditors for the company are **Anupam Bansal & Co.**, Chartered Accountants vide letter dated August 23, 2005 have stated the possible tax benefits available to Educomp Solutions Limited (Formerly known as Educomp Datamatics Limited) (the "Company") and its shareholders under the current tax laws presently in force in India. They have stated that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant 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. Their statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and 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. The auditors do not express any opinion or provide any assurance as to whether:

- (I) the Company or its share holders will continue to obtain these benefits in future; or
- (II) the condition prescribed for availing the benefits have been / would be met with.

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

Statement of possible tax benefits available to Educomp Solutions Limited and to its Shareholders

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to M/s Educomp Solutions Limited and its shareholders.

Benefits available to the Company Under the Income Tax Act, 1961

1. In accordance with and subject to the provisions of section 35 of the Income tax Act, the Company will be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business other than expenditure on land.
2. In accordance with and subject to the provisions of section 32, the Company will be entitled to claim depreciation in respect of intangible assets and intangible assets being in the nature of copyrights and trademarks or any other business or commercial rights of similar nature acquired on or after 1 April 1998 at the rates prescribed under the Income tax Rules.
3. By virtue of section 10(34) of the Income Tax Act, dividend income referred to in section 115-0 of the IT Act, will be exempt from tax in the hands of the Company.
4. By virtue of section 10(35) of the Income Tax Act, the following income shall be exempt in the hands of the Company
 - a. Income received in respect of the units of a Mutual Fund specified under clause (230) of section 10; or
 - b. Income received in respect of units from the Administrator of the specified undertaking; or
 - c. Income received in respect of units from the specified company;
 - d. Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose:
 - i. "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
 - ii. "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
5. In terms of section 10(38) of the Income tax Act, any long term capital gain arising to the company from the transfer of a long term capital asset being an equity shares in a company or unit of an equity oriented fund on or which chapter VII of the Finance (No. 2) Act 2004, comes into force and such

transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the company.

For this purpose, "equity oriented fund" means

- a. Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty per cent of the total proceeds of such fund; and
 - b. Which has been set up under a scheme of a Mutual Fund specified under clause (23D)
6. The provisions of Section 10 B shall be available to company as company is planning to set up an hundred percent EOU. In terms of section 10 B, special provisions in respect of newly established hundred per cent export oriented undertakings, a deduction of such profits and gains are derived by a hundred per cent export – oriented undertaking from the export of articles, or things or computer software for a period of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or product articles or things or computer software, as the case may be, shall be allowed from the total income of the assessee. The deduction shall be available from the assessment year beginning on the 1st day of April, 2003, the deduction shall be ninety percent of the profits and gains derived by the undertaking from the export of such articles or things or computer software.
 7. In terms of section 111 A of the Income tax Act, any short term capital gain arising to the company from the transfer of a short term capital asset being an equity shares in a company or unit of an equity oriented fund on or after the date on which chapter VII of the Finance (No.2) Act, 2004(i.e. 1st day of October, 2004) comes into force and where such transfer is chargeable to securities transaction tax would be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess)
 8. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by section 10(36) and 10(38)), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee
 9. Under section 54EC of the Income tax Act and subject to the conditions and to the extent specified therein, long term capital gains arising on transfer of a long term capital asset shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long term specified asset.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income "chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.
 10. As per the provisions of Section 54ED of the Act and subject to the condition specified therein, capital gains arising from transfer of long term assets, being listed securities or units (not covered by section 10(36) and section 10(38)) shall not be chargeable to tax to the extent such gains are invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section

To the Resident Members of the Company

1. In term of section 10(34) of the Income Tax Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the company) is exempt from tax.
2. In accordance with section 10(23d) of the Income Tax Act, all mutual funds registered under the securities and exchange board of India act or set up by public sector banks or a public financial institutions or authorized by the reserve bank of India, subject to the conditions specified therein are eligible for exemption from income tax all their income, including income from investment in the share of the company.

3. In terms of section 10(38) of the Income Tax Act, any long term capital gain arising to the members from the transfer of a long term capital asset being an equity shares in a company on or after 1st day of October 2004, where such transfer is chargeable to securities transaction tax, would not be liable to tax in the hand of the company.
4. In term of section 111A of the Income Tax Act, any short term capital gain arising to the company from the transfer of a short term capital asset being an equity shares in a company or unit of an equity oriented fund on or after 1st day of October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess)
5. Under section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under section 64(1A) of the Act, will be exempt from tax to the extent of Rs. 1500/- per minor child.
6. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by sections 10(36) and 10(38)), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
7. As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income
8. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
9. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
10. In accordance with and subject to the conditions and to the extent specified the Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units (not covered by sections 10(36) and 10(38)), to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
11. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by sections 10 (36) and 10 (38)), upon investment of net consideration in purchase /construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

Benefits available to other Non-residents

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1500 per minor child per year.
3. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (b) of the Act, tax on long term capital gains arising on sale on listed securities or units before 1st October 2004 will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
5. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
6. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)) if such capital gain is invested in any of the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
9. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
10. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

11. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

Benefits available to Non-Resident Indian Shareholders

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with 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 per year.
3. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in Section 115D read with Section 115E of the Act, long term capital gains arising from the transfer of an Indian company's shares (not covered by sections 10(36) and 10(38)), will be subject to tax at the rate of 10% as increased by a surcharge and education cess at an appropriate rate on the tax so computed, without any indexation benefit but with protection against foreign exchange fluctuation.
4. In case of a shareholder being a non-resident India, and subscribing to the share in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the Act, the non-resident Indian shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of Section 115F.
5. In accordance with 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 earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
6. In accordance with the provisions of Section 115H of the Act, when a Non Resident Indian become 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 Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
7. As per the provisions of section 115 I 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 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.
8. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (b) of the Act, tax on long term capital gains arising on sale on listed securities or units not covered by sections 10(36) and 10(38) will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and Education cess at an appropriate rate on the tax so computed in either case.
9. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
10. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.

11. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
12. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Shares' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
13. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.
14. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
15. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
16. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

Benefits available to Foreign Institutional Investors ('FII')

1. In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long term capital gain (not covered by sections 10(36) and 10(38)) will be 10% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case. However short term capital gains on sale of Equity Shares of a company through a recognised stock exchange or a unit of an equity oriented mutual fund effected on or after 1st October 2004 and subject to Securities transaction tax shall be taxed @ 10% as per the provisions of section 111A. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FII.
2. As per the provision of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.
3. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.

4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. In accordance with and subject to the conditions and to the extent specified in /section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10 (36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
7. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax (not covered by sections 10 (36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

Benefits available to Mutual Funds

In case of a shareholder being a Mutual fund, 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 authorised by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

Benefits available to Venture Capital Companies /Funds

In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.

Benefits available to the company under the Central Sales Tax Act, 1956 , Delhi Sales Tax Act, 1975, Delhi Value Added Tax Act 2004

Company is registered under the above mentioned Acts . As per the prevailing provisions of the above acts, company is enjoying the benefits as available to registered dealer.

Benefits available under the Wealth Tax Act, 1957

As per the prevailing provisions of the above Act, no Wealth Tax shall be levied on value of shares of the Company.

Benefits available under the Gift Tax Act

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

Note:

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2004.

2. All the above benefits are as per the current tax law and will be available only to the sole / first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

However, a shareholder is advised to consider in his / her / its own case. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

SECTION IV ABOUT THE ISSUER

I. Industry Overview

Domestic Market size and estimation:

(Source: MHRD site & Company Estimates)

India is one of the largest education markets in the world in terms of the number of students. Overall there are over 10,00,000 schools in India with over 202 million students enrolled. The number of privately run schools in India are over 30,000. The government spends more than 14% of its total expenditure on Education. The Ministry of Human Resources Development (MHRD) estimates show that in the year 2000-2001 the central and state governments together spent over 84,000 crores or about 4% of its GDP on education. Education has been a priority with successive governments in the country and the present government has levied an education cess to enhance the ability of the government to make further investments in this area. It is well recognized that bridging the digital divide and providing for students to have technological literacy is a core objective of our education policy. The government has put in place a number of schemes for promoting the use of computer technology in schools such as Sarva Shiksha Abhiyan (SSA) and ICT@Schools scheme.

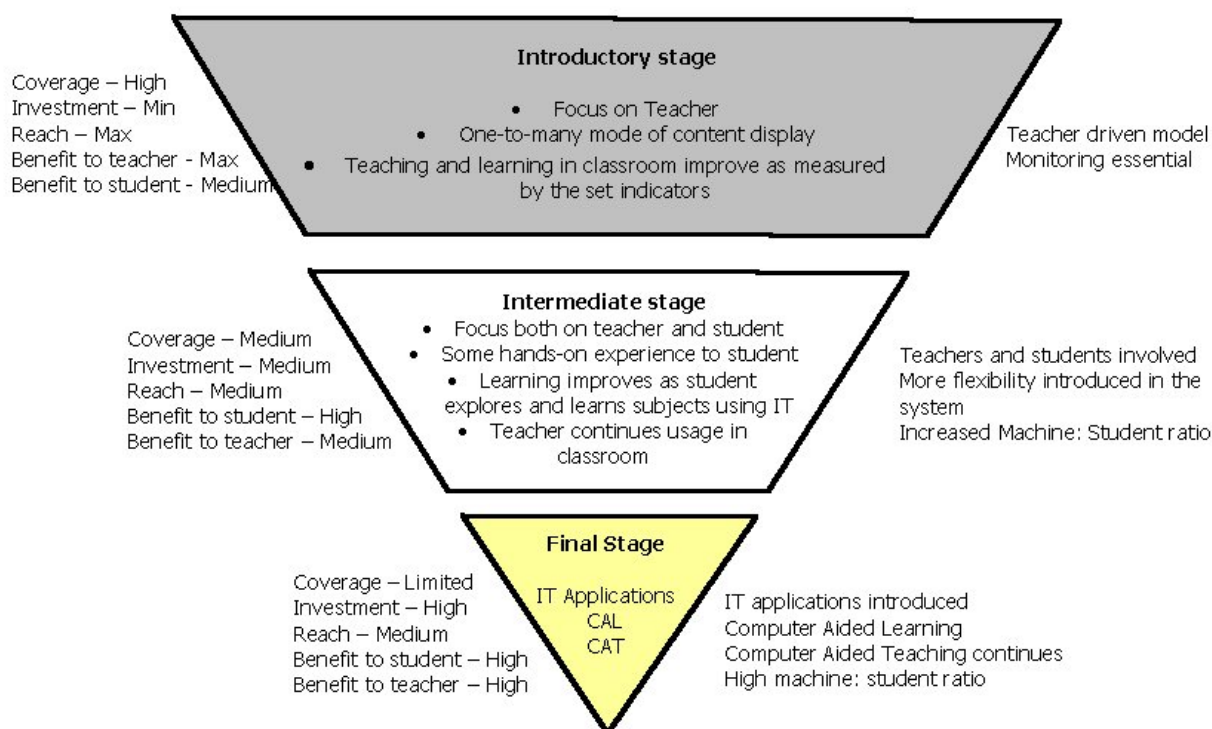
Further there are over 5 million teachers in India who need to be trained in both information technology as well as pedagogy.

Traditionally, schools typically use IT in two stages, they start with using IT for Computer Literacy and graduate to using computers as a resource and use the power of IT to help learn other subjects through digital content and multi-sensory learning approaches.

Most state governments in India are still focused on using IT for computer literacy but a number of governments have moved onto using digital content for computer aided learning. Specifically the SSA program has earmarked significant amount of funding to promote the using of computers as an innovative tool for improving the quality of education.

In the 30,000 odd private schools in the country, the focus is on Computer Aided Learning as most schools already have computer education labs.

The following chart shows the value chain in the IT integration process in the curriculum.



US markets

Market Size (Source ISSN : 1742-1004 , Issue 2 dated 2005)

The US education market is the largest education market in the world in terms of value.

The global market for education and training content stands at 55% of the total size of the education and training market i.e. \$ 32.2 billion in sales of North America & European providers in 2003. North America accounted for 64% of Combined Education & Training revenues in 2003. Out of total Education & Training global market of \$ 32.2 billion, Training generated 45% or \$14.4 billion and education gets a share of remaining 55% or \$ 17.8 billion. Further out of education market, K-12 (Primary & Secondary) Markets constitute 32 % or \$ 10.2 billion & Higher Education (Post Secondary) accounted for 24% or \$ 7.6 billion.

The Global Education & Training market is expected to reach \$ 42.1 billion annually by 2008, a 5.1% CAGR.. K-12 markets shall grow at 4.4% CAGR helped by robust Education cycles in US and mandates for assessment. The Higher Education segment will grow faster at 5.7% CAGR aided by increasing enrollment and growth of E- learning and distance Learning Initiatives. Training will grow at \$ 19.6 billion with a CAGR of 6.4%.

The five leaders – Pearson, McGraw- Hill, Pearson, Harcourt, Thomson learning, Houghton- Mifflin accounted for 34% of the total revenues , 52% of Education revenues & 63% of U S Education & Training revenues.

The Training market of \$ 14.4 billion is highly fragmented & 5 major players contributes less than 20% of revenues.

The US market consists of about 145,000 secondary schools out of which 115,000 schools are public schools and 30,000 are private secondary schools.

Public schools are funded primarily by state, local and federal government with the state providing 42-47%, the Municipal sources providing 36-40% and the federal government providing less than 10% of the funding. These schools are run by the locally elected school boards and most decisions are made at the district level. The private schools are primarily funded by student tuition fees and donations by private

individuals. They may also be funded by religious institutions such as catholic missionary schools.

The primary legislation in the US which has driven the funding in this sector is the passing of the No Child Left Behind Act (NCLB). Through the passage of NCLB the federal government has imposed several mandates on the schools. Following are the key national education mandates as per NCLB Act.

1. 100% of the students must pass in reading and math by the year 2013.
2. Mandatory testing in reading and math between grades 3-8. Science testing is being phased in on a state by state basis.
3. Schools must show adequate yearly progress on the mandatory tests or face sanctions and punishments including the takeover of the school. All students including the worst performers must show improvement rather than an improvement in average scores.
4. Special emphasis on teacher professional development and credentials.
5. Requirement for curriculum to meet new standards.
6. Greater public private partnership to create innovative solutions.

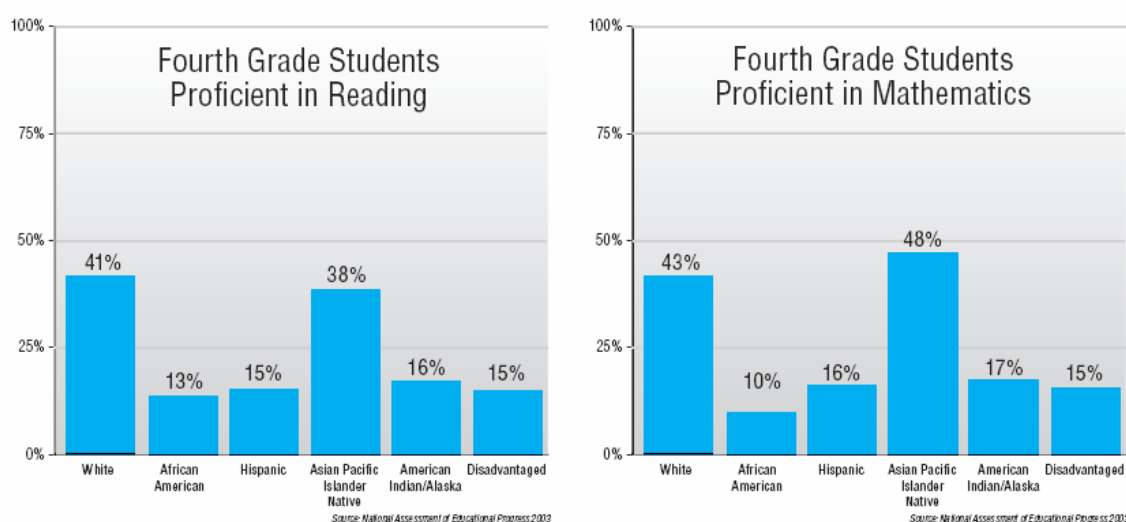
The US federal Government Funding Bush II for calendar year 2005 would provide \$ 38.7 billion for K-12 Education. Of that 95% would be directly distributed to local districts or to schools through their states.

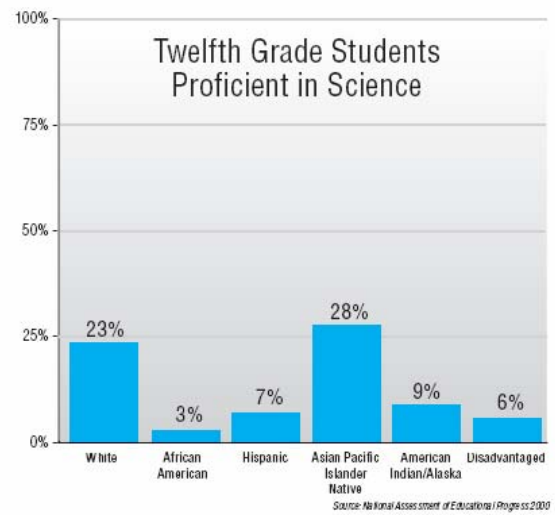
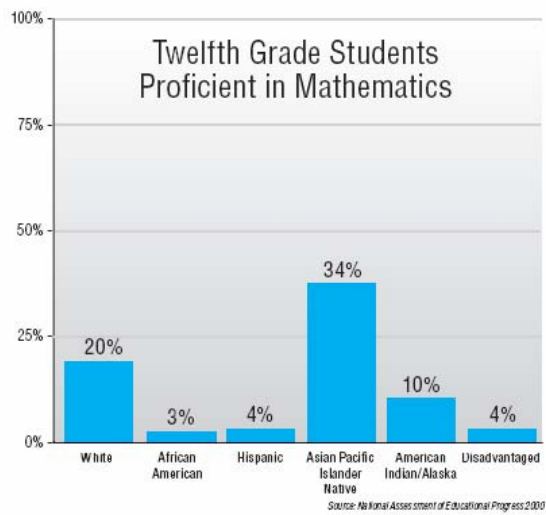
Allocation of budget is as follows:

Elementary & Secondary Education	:	\$ 13.3 billion.
Disabled	:	\$ 11.1 billion
Improving Teacher quality / vocational	:	\$ 14.3 billion.

As can be seen significant amounts of money are available for programs that seek to improve the performance of students.

The key challenge identified in the US markets is the challenge of improving academic performance of students. The US school system has been plagued by chronically low performance among all ethnic groups of students as depicted in charts below.





II. Business

A. Overview

Our business was set up in 1994 in New Delhi and we have grown over the years as India's one of the leading education-centric technology companies.

We are in the business of developing educational content under "Smart_ClassTM" program using information technology, which aid in classroom teaching. We provide Education Infrastructure solutions for setting up and running computer education programs in schools. We also provide training to teachers, students and parents, which help in their overall development. We also provide technology solutions to educational institutions through our ERP solution "e-campus". We are also into trading of educational CD-ROMs and toys. We employ about 850 professionals.

Company's Vision

Our Vision is to be a global learning enabler through -

- Management of learning
- Creation of learning content
- Delivery of learning

Company's Mission

- To reach out to 10 million learners through our products and services by 2008.
- To be among the top 10 learning solution companies worldwide by 2010.

Our clients primarily include government schools and private schools.

Our - Products and Services

Our products & services can be classified into 4 business units

- Smart_ClassTM
- Education Infrastructure Projects
- Professional Development
- Retail
- Other Business

1. Smart_ClassTM:

Worldwide there has been a strong push to get educational technology into the hands of teachers and students. A lot of experimentation has been going on to leverage the immense potential of technology and Internet for education in schools. Some initiatives have met with partial success but most have failed to bring about any significant change in the life of a teacher or the student.

Our Smart_ClassTM program has been developed with this reality in mind. The purpose of the Smart_ClassTM program is to empower teachers with technology right inside their classrooms. The program enables teachers to use digital contents developed using graphics, 2D animation, etc., in addition to the chalk and talk methods of teaching in their day to day teaching life. This results in a completely new multi sensory learning experience for students, which eventually helps them to improve their academic performance.

Under the Smart_ClassTM program, we have developed a vast repository of digital content, over 8000 content modules, for subjects like science, mathematics, social sciences, etc. from kindergarten to class 12. This program enables teachers to select the content as per their requirements and use these to teach their specific subjects effectively in the classroom. Students gain a better understanding of difficult curriculum concepts in the class resulting in their improved academic performance at school.

We enter into long-term contracts, usually for 3-4 years, with various schools wherein we license the Smart_ClassTM program for a specified time period.

Business Model

We enter into a contract, usually for 3-4 years, with a school wherein we provide an end-to-end solution and not just digital content through our Smart_Class™ program. As per our business model we are also responsible to set-up the infrastructure in the school including computers, printers, UPS, servers, speakers, furniture, fittings etc. required to run the Smart_Class™. The schools make payment for the whole package usually on a quarterly basis over the tenure of the contract. In India most of the schools do not have computers in classrooms and the schools do not have enough resources to make upfront investments in setting up such infrastructure. Our business model helps the schools to set-up infrastructure without having to invest upfront. At the end of the contract the computer hardware are transferred to the schools at a nominal value of Re 1, while the Smart_Class™ content and other IPR protected hardware developed by us are retained by us.

Smart_Class™ Implementation model

1. An existing room/space inside the school campus is converted into Smart_Class™ **Knowledge Center**. The knowledge center is equipped with a library of digital resources mapped to the school syllabus. The knowledge center is also equipped with a few teacher workstations with PCs for teachers and a dedicated server.
A full time Resource coordinator is deployed by Educomp at the knowledge center to train and support teachers to work with the program.

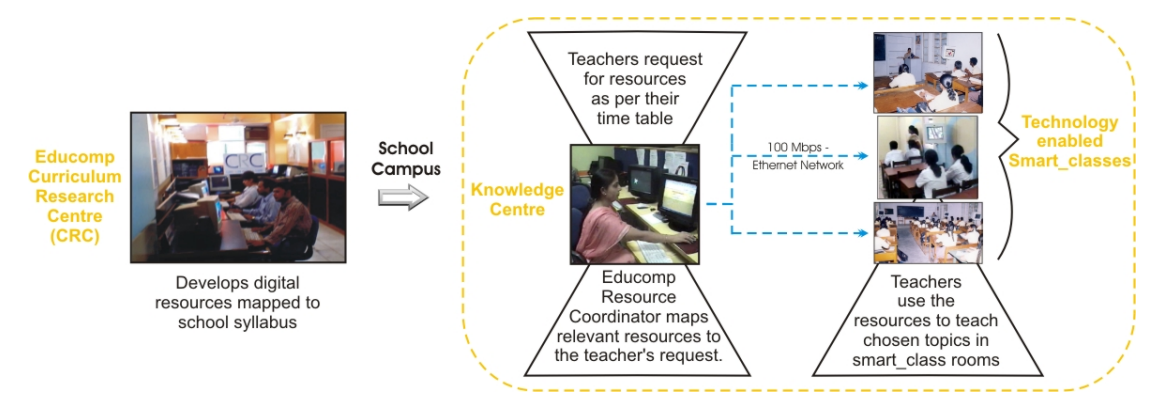


2. The knowledge center server is connected to the existing classrooms through a campus wide structured Ethernet network.

3. The classrooms are converted to **Smart_Class™ rooms**. Each Smart_Class™ room has a dedicated PC for the teacher housed in a lockable wooden cabinet placed next to the black board. The teacher's PCs in all classes are connected to the knowledge center server. A set of 2 or 4 digital color monitors (typically 17" size) are placed inside the classroom connected to the teachers' PC through custom made Video splitters such that all students are able to view the instruction materials displayed by the teacher in the class. Each display monitor is encased in custom designed lockable and tamper proof metallic cabinets firmly grouted to the floor with fasteners. A set of high quality amplified speakers attached to the teacher's PC is also installed in each Smart_Class™ room.



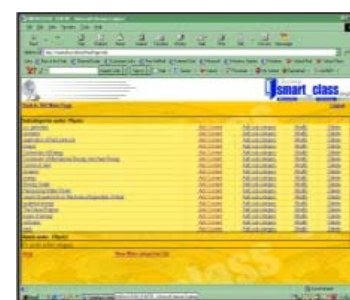
How does Smart_Class™ work?



a) A powerful Smart_Class™ application engine enables teachers to make a request for digital teaching resources for a select set of topics/subject that they plan to teach during the forthcoming week/month or term. They do this at the knowledge center using one of the teacher PCs available.

b) The resource coordinator deployed on a full time basis by Educomp in the knowledge center makes a search for the suitable resources from the vast library of teaching materials, which are made available to her by Educomp. She then allocates the relevant materials to the teachers as per their specific request.

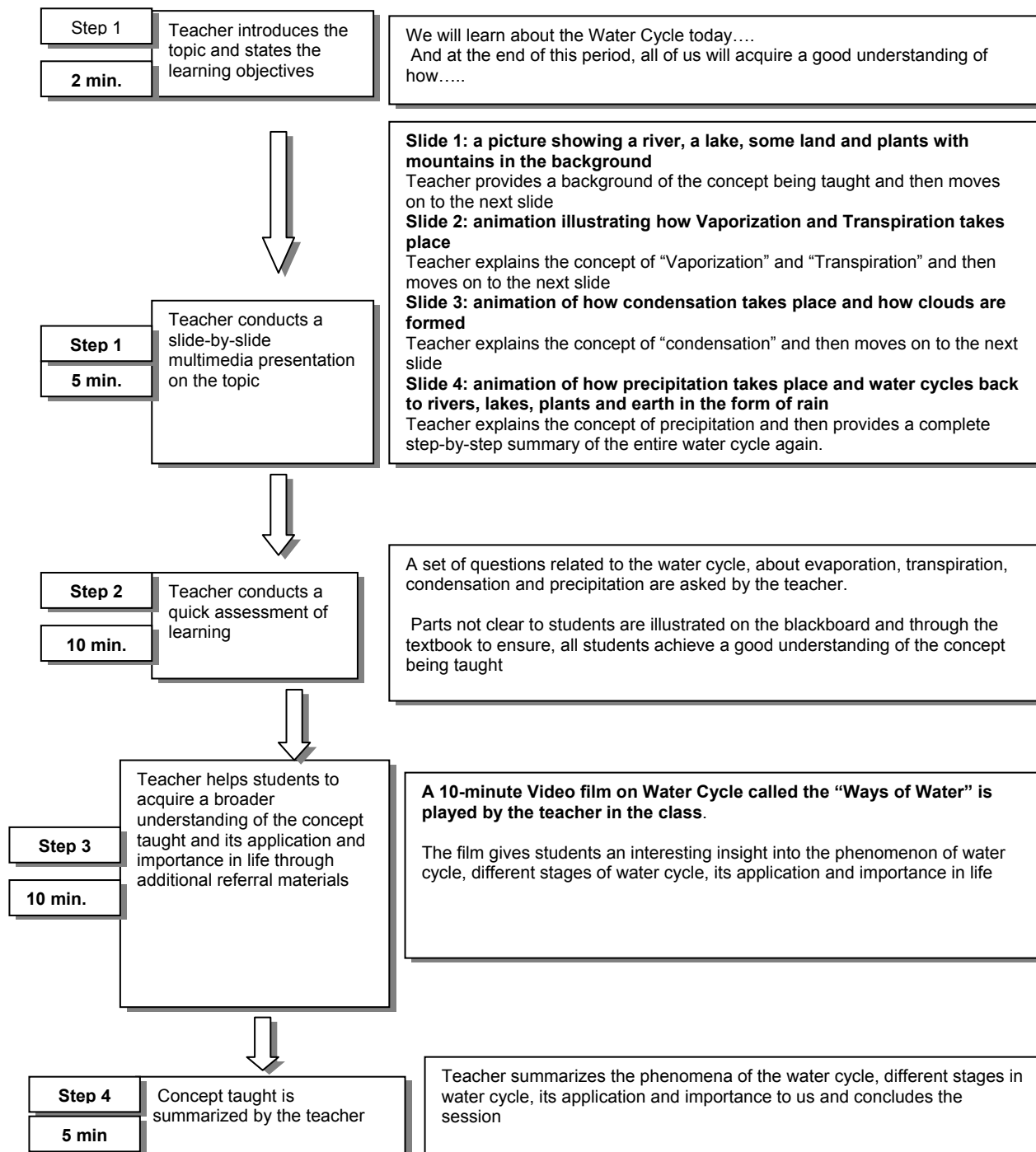
c) The teachers can choose to access the resources allocated to them at the knowledge center and plan lessons for the forthcoming classes



their

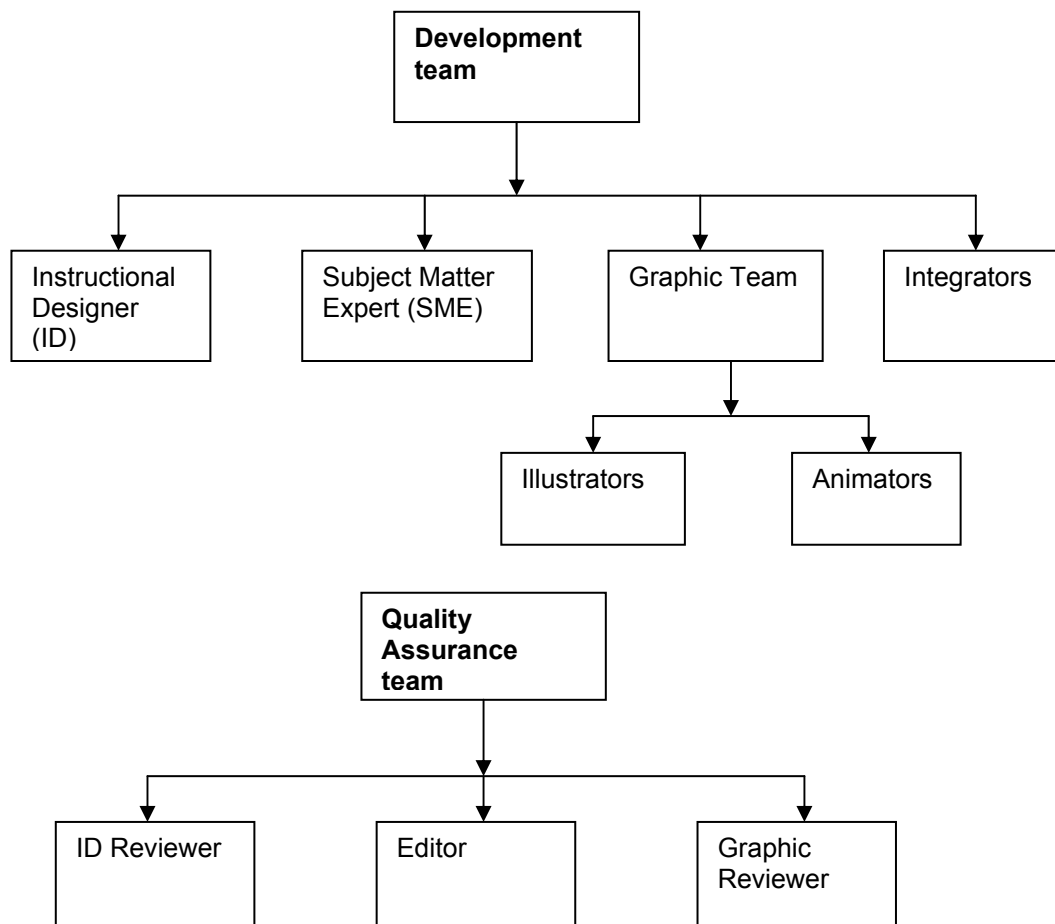
d) The teacher is then ready to use the digital resources in the Smart_Class™ room where she accesses the chosen resource with the help of a user ID and displays the materials on the multiple display monitors for students to view as she teaches the chosen topic.

An example of a typical Smart_Class™ session



Content Development Process

The content for the various modules of our Smart_Class™ program is developed and checked for quality by our team of 66 people based in Delhi and Bangalore. The structure of the development team and quality assurance team for developing the digital contents for Smart_Class™ is given below:



We follow one of the most widely used Instructional Design Model “The ADDIE model” (**A**nalysis, **D**esign, **D**evelopment, **I**mplementation & **E**valuation) for content development. Accordingly the content development process is divided into 5 phases as follows:

Phase 1: Learning Object Analyses and kick off

- SME understands the scope as defined in the Learning Object
- ID gathers additional information to define content requirements and the whole scope is divided into small units of manageable content
- ID and SME together facilitate a kick-off meeting with the members of the assigned graphics team
- Team leader of the graphics team creates and discusses a plan with a work breakdown structure

Phase 2: Design Phase

- ID creates storyboards, which contains the learning content, visualization inputs and development instructions for the graphic production team
- SME reviews the storyboards to make sure that it conveys the content as required by the learning objectives
- A brain storming session with the development team comprising of the illustrators, graphic designers and quality assurance team to discuss the graphic elements and finalise the development instructions for the production team

Phase 3: Development Phase

The graphics team builds the media elements (i.e. graphics, flash animation) described in the storyboard and the integrators will integrate these elements into the template

Phase 4: Quality Conformance

The Quality Assurance team comprising of editors, senior IDs and integrators will confirm that the content meets the checklist for colour, English grammar and interaction requirements outlined in the storyboard.

Phase 5: Final Delivery of Content.

The content is finally uploaded to the main server (Knowledge center), where it is stored for further use

Security Control for transferring modules to servers & schools

Since the unique proposition of our Smart_Class™ program is the content developed by us, we feel that it is very important to protect our contents from piracy. We have taken adequate steps to protect the contents while the contents are transferred from one system to other:

Process to transfer the modules to the content server

- The User uses the Smart_Class™ Office (Software engine developed in-house used in office) part to upload the module onto the server.
- The Module gets encrypted when it is transferred to the master server. The encrypted modules cannot be used without decrypting, which can only be done by Smart_Class™ Office and “Smart_Class™ School (Software engine developed in-house used in school)” Parts.

Process to transfer the modules to School

- The modules are exported to a zip file and downloaded to the client machine, the server in the school
- The modules that are downloaded are encrypted and also protected using a hardware lock.
- The zip file is written to a CD, which is then sent to the school
- Every school has a resource coordinator employed by us, who then imports / uploads the module to the Smart_Class™ Server at school.
- “Smart_Class™ School” has functions to decrypt and display the modules when accessed through it.
- The hardware lock, which is with the resource coordinator, should be attached with the school server for access to the modules.

Marketing Strategy and Marketing Set-up

Marketing and selling of Smart_Class™ requires us to demonstrate the product and services to prospective customers.

We have divided the country into four regions viz. North, South, East and West. Each region is headed by a Regional Head who report to our Business Head for Smart_Class™. There are marketing executives under Regional Head who make direct calls to the schools for lead generation.

At present, most of our marketing activities are focused on North and South India and so far have been confined to mainly “A” level cities. In future, we plan to increase the geographical reach of the program by actively focusing on other zones as well as B and C level cities. We plan to move into about 30 new cities in FY 05-06. This will be done through an increase in the number of marketing executives.

Market awareness for Smart_Class™ is built by holding seminars for school principals. These seminars are held in various metropolitan cities and also in smaller towns. The marketing team formally invites the school principals about 15 days prior to the event The typical format of a seminar is a live demo of the Smart_Class™ program carried out by the business head or the senior marketing manager. The seminar is also presided over by an educationist or the Director/Commissioner of Education of that state.

Word-of-mouth plays an important part in our business as we are also approached directly by the schools for the implementation of the Smart_Class™.

2. Education Infrastructure Projects

Under the Education Infrastructure projects, we are responsible for setting up and maintaining IT infrastructure, and providing computer education in government and private schools.

The progress of IT in government schools in India can be divided into 2 phases. In phase 1, the government seeks to wire up the schools and focus primarily on *computer literacy*. In phase 2 the government seeks to harness the potential of computers as a resource and focuses on *computer aided learning* i.e. providing education content. A number of states in India such as Karnataka, Tamil Nadu, Andhra Pradesh, Assam and Orissa have successfully moved on to the 2nd phase while others are still in Phase 1. The implication of this on our business is that we have also started providing digital educational content to government as a part of Education Infrastructure projects. We are currently executing Education Infrastructure projects with the State Governments of Karnataka, Tripura, and Orissa. So far, we have covered 512 schools. We have recently signed an agreement with UPDESCO,(a Government of UP undertaking) for providing computer education services in 101 government / government aided schools of secondary education department located in various district for period of 5 years.

We also signed an agreement with Department of Youth Resources & Sports, Government of Nagaland to provide maximum employment opportunity to its youth by training them over a 5 year period. We will train the youth in various areas like BPO, Insurance, human resources etc by using digital content , which will provide them employment opportunities.

Business Model

We enter into a long-term (usually 5 years) contract with the government or private schools wherein we provide the entire IT solution for the schools / institutes earmarked by the contract. The contract is in the nature of a Build – Own - Operate - Transfer (BOOT) arrangement wherein all assets are transferred to the school at a nominal residual value at the end of the contract period. The payment terms are usually on a quarterly basis.

As the government is increasingly focusing on computer aided learning, we are also providing digital educational content to government as a part of our Education Infrastructure projects. Typically, our scope of work in Education Infrastructure projects for government include:

- To supply of Computer Hardware, Software and connected accessories and provide education services on BOOT (Build, Own, Operate, Transfer) basis for a specified period
- To provide and maintain in working condition the hardware, software and necessary infrastructure such as UPS, etc. on a BOOT basis
- To supply adequate stationary and consumables at each centre.
- To provide full time faculty / co-ordinators for every school or groups of schools as required
- To create multimedia based curriculum content as per the state syllabus in regional languages
- To impart computer literacy courses to the students based on the multimedia content developed
- To impart training to teachers including the headmaster / headmistress in each school in computer literacy and usage of the multimedia content developed.

As the contents developed for these contracts are also custom-made as per the requirements of the government, we do not own the intellectual property rights of such contents and therefore, the contents are also transferred at the end of the contract.

The development process for the contents for Education Infrastructure projects is similar to that for Smart_Class™, with only an exception that the government gives the outline for the content development.

Marketing Strategy and Marketing Set-up

The Education Infrastructure solutions are marketed to government / semi-government institutions. Selling these Education Infrastructure solutions require us to be aware of the tenders floated by government / semi-government institutions from time to time. We carefully track all the tenders and RFPs that come out from the various states and participate in them. Most of the RFPs come with a pre-qualification clause. Due to the number of years in this industry and the experience that we have, we are able to meet all the pre qualification criteria. A typical tender scenario closure process starts with we being selected as the L1 bidder after the technical qualification is over. In most tenders today the bidding evaluation process is a

two-stage process in which first the technical bids are opened and then the financial bids are opened for only the short listed firms. Once we are the L1 bidder (or in some cases both L1 and L2 are called for negotiations) then it is called for negotiations. Usually negotiations are in the range of 2-3% and subsequent to this the order is closed.

The Education Infrastructure projects business is headed by a Business Head. There are Relationship Managers under the Business Head, who interact with various government / semi-government institutions.

Our Relationship Managers directly interface with both the state as well as the central government, primarily the Ministry of Education (MoE). We target our marketing efforts based on the annual fund allocation towards IT education made by the central government to various states. We interact with the state government by organizing presentations and holding detailed discussions with them. The objective of these discussions is to initiate the floating of the tender or RFP (Request for Proposal). We also participate in seminars organized by the Ministry of Education on a regular basis and are also present on the panels set up by the MoE to frame national guidelines on education.

We intend to be a thought leader in this space. We are constantly innovating on new business models and trying to educate the policy planners, the government as well as the users on how best they can use the allocated funds.

3. Professional Development

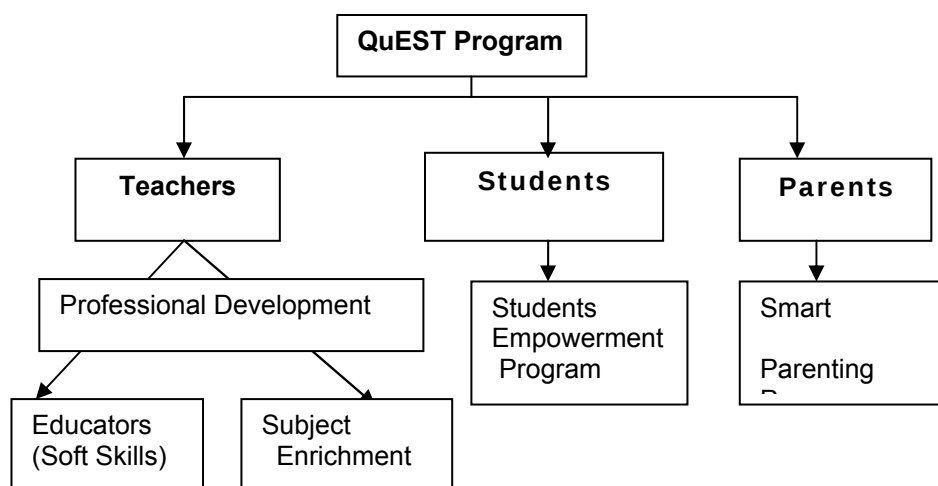
We are one of the leading Professional Development companies in India. We partner with Learning Links Foundation and Learning Leadership Foundation for carrying out various Professional Development programs in India. These programs train teachers to integrate technology into the school curriculum as well as empower teachers by providing them skills in the areas of inquiry based learning, creative thinking, building problem solving skills among students, communication and assessment strategies etc.

We have covered 20 metro cities and 40 peripheral towns under this program. We implement this program through our dedicated 126-member team of trainers.

Business Model

Initially we started Professional Development program as a partner with WIPRO and Learning Links Foundation and Learning Leadership Foundation wherein we provided the technological support, contents as well as qualified teachers to these programs. At present apart from teaming up with Learning Links Foundation and Learning Leadership Foundation, we run our own training program branded as “Quality Education for Students and Teachers (QuEST)”

The QuEST program has been designed to define a powerful vision in the 21st century education by providing tools and resources that drive change within the four walls of the school.



The program is targeted at teachers, students and parents. The aim of the program is to:

- Help **teachers** by equipping them with a vast repertoire of the latest tools and techniques to support their teaching along with updating their knowledge about the best educational practices

prevalent around the world. The final aim is to create effective teachers who are passionate about their work and have mastery over their subject matter.

- Help **students** enhance their learning so that they grow into responsible, contributing members of the society by helping them build certain core skills. The main areas addressed are communication, self-development, study skills and managing everyday issues with peers.
- Help **parents** understand the developmental and other needs of the students and provide support in what ever they learn at the school.

Marketing Strategy and Marketing Set-up

The QuEST programs are directed to teachers, students and parents through schools. We also partner with various corporate and NGOs in this space.

We have an Account Manager for key corporate and NGO partnerships as well as for the QuEST. The Account Manager is responsible for maintaining relation with the key corporate and NGOs. Along with the Account Manager, there is a qualified marketing team for marketing QuEST to schools.

Awareness for the program is built by sending direct mailers and proposals to the schools. We also participate in events and seminars to disseminate our teacher education message.

Leads are generated when our marketing team visits the school. During a school visit, the executive explains to the school the benefits of conducting this program in the school and arranges an in-school demonstration of the program. During the demo teachers are exposed to a sample workshop. The workshop helps us in convincing school administration that such programs are beneficial for the teachers. The marketing team for QuEST also coordinate with the marketing team for Smart_Class™ in cross-selling to the schools which have opted for either of the services.

We plan to add more people and locations to the program as there is a huge potential due to a need for professional development skills of teachers, students and parents.

4. Trading

We are also engaged in the business of trading of educational toys and education CD-ROMs.

We are the exclusive licensee for Playgo, and Learning Road, which are the well-known toy brands. We also have license for marketing the products of V-tech. In CD-ROMs, we are licensee for Dorling Kindersley & Global Software Publishing products. We are promoting 250 products of toys/CDs under the respective brands across India. We import these products from Singapore & Hong Kong and sell them in Indian market through our distribution network. Apart from these, we have also launched 52 CD-ROM titles based on PlanetVidya content whose manufacturing is outsourced.

We plan to launch a chain of retail stores in the name of “**PLAY – N – LEARN**” on a franchise model. The first of such store was launched in June, 2004 at SG- 008, Galleria Market, DLF Phase IV, Gurgaon. All such chain stores will procure goods from us on consignment basis and besides this we will provide a sales person, a cable network and bear all the incidental expenses.

Marketing Strategy and Marketing Set-up

We are present in the retail segment with our range of toys and educational CDs. The retail market for both these segments is growing at a fast pace. We have entered this market to establish our brand name directly in the minds of the consumers and take the opportunity to serve them directly.

We have branches at three places viz. Delhi, Mumbai and Bangalore. Our Delhi Branch is headed by a National Sales Manager, who is supported by three peoples (Area Sales Manager, Executive & office assistant). The Mumbai division is headed by an Area Sales Manager, who is supported by two persons. The Bangalore division is also headed by an Area Sales Manager, who has a supporting staff of three persons.

In order to generate market awareness for our products, we ensure that they are available in all the major toys and multimedia outlets across the country. For this, we have appointed distributors across the

country. Each distributor has appointed dealers who target a wide range of retailers. In addition to this, our central team liaises with large chain stores such as Lifestyle, Music World etc.

The products are distributed via the distributors to the retail stores and are generally on an invoicing basis i.e. the products are not taken back if not sold by the distributor. We keep monitoring customer demand at all times and ensure product availability. At present, we have a network of 24 distributors, who are covering 1700 retail outlets throughout the country.

We are developing fictional characters targeted at children. We plan to introduce board games, puzzles and toys based on these characters. Once the popularity of these characters is established amongst children, we plan to bring those characters in digital format like CD games etc. We have already developed 8 animated characters in-house. We plan to outsource the manufacturing to third party players. We are in the process of expanding our network of distributors from 24 to 35 and likewise retail outlets would be strengthened from 1700 to 2000.. In near future, we plan to open 10 PLAY-N-LEARN stores covering all metro cities.

5. Other Businesses

Apart from the above main businesses, we have other small business, which are related to our main business. They are

- Online tutoring for US market
- Learning Portal - PlanetVidya.com
- Campus Management System - eCampus™ and
- Annual Maintenance Contracts

Online Tutoring for US market

Realizing the huge potential in tutoring for US students especially in Mathematics, we started an online math tutoring service, called “Mentoraide” in January, 2005. Trained mathematics tutors in India service students in the US over the Internet. The service offers one-on-one support to students in real time from their home when they need it. We provide tutoring only in mathematics, because the need for improvement in math scores has come through most strongly in our discussions with the schools in the US.

The student can ask a tutor to help them with specific problems from the textbook followed in class. Students and tutors will interact one-on-one over an online whiteboard, where both can write or type just as they would on a real whiteboard.

The tutoring session is conducted over a “GreenBoard” that simulates the familiar chalk and board of a classroom. Teachers and learners can write on the Green Board using a stylus pen—much like an ordinary pen. They can also type and chat with each other. The sessions are automatically saved, and are reviewed to determine the quality of the tutoring process. After a tutoring session, we provide a personalized objective type test to the learner. The questions in the test are carefully created to assess the effectiveness of the tutoring session.

Currently, we have 5 tutors at our Delhi office.

As the business is new, we are currently providing free demos to the students. So far, 54 users have registered with our online tutoring service and are availing of our free demos. However, we do not have any paid subscribers and hence no revenues accrue from this business as of now.

Learning Portal - PlanetVidya.com

We have an education portal, “PlanetVidya.com”, which comprises educational resources in the form of web-based study material, Internet links, activities, and educational projects. There are about 540 modules for class 3 to 12. Planetvidya modules allow the school to reach out to the education stakeholders by creating a virtual school environment. We have over 15,000 registered users for PlanetVidya. No revenues accrue from this business as of now.

Campus Management System - eCampus™

We have developed “eCampus” an ERP solution for educational institutions. It is a fully integrated system for managing the academic process and the school administration. eCampus™ manages the administration as well as provides real time data to evaluate the academic and non-academic

performance of the students. At present, we are in the process of upgrading eCampus™. No revenues accrue from this business as of now.

Annual Maintenance Contract

We are also providing Annual Maintenance Contract services at 4 schools. We plan to discontinue this in near future as this is not our core business.

OUR COMPETITION

We provide end-to-end solutions in the education technology domain. The Company, as a whole, has no direct competition. We face competition only for parts of the total solution we offer.

Government Space

Our main competitors are NIIT, Everonn and other regional companies such as IEC. Our competitive strategy in this space is to ensure that we are able not only to compete on price but also on product features. We put in a lot of emphasis on customer education to expose the customers to the special features of our products to ensure that the same is mentioned in the tender or request for proposal.

Private schools

Our main competitors in the private school market are JIL Infotech, ILFS and Classteacher.com. We are able to distinguish our services due to our unique and differentiated product line, large content repository and the end-to-end solution we provide, which include not just the contents but also the IT infrastructure.

Professional Development

We face competition from iDiscoveri training in the market for pedagogy centric education.

Our Financial Performance: A Snapshot (Product/Service wise break-up)

(Rs in Lacs)

Business Segments for the year ended 31 st March 2005					
	Educational Services			Others	Total
	Professional Development	Smart Class	ICT Solutions		
Revenue	1,033.71	294.88	1,326.02	455.72	3,110.33
	809.04	89.22	1448.87	198.08	2545.21
Expenses	359.52	232.13	1000.10	340.78	1,932.53
	307.64	146.02	1,071.59	337.99	1,863.24
Results	674.19	62.75	325.92	114.94	1,177.80
	501.40	-56.80	377.28	-139.91	681.97
Less: Unallocable Expenditure					262.92
					388.53
Add: Other Income					100.85
					55.96
Operating profit					1,015.73
					349.40
Profit Before Tax					1,015.73
					349.40
Less: Tax Expense					
- Current					362.77
					80.51
- Deferred					20.08
					80.29

Profit After Tax before impact of change in accounting Policy					632.88
					188.60
Less: Impact of change in accounting Policy					-
					41.90
Profit After Tax Restated					632.88
					146.70

Note: Previous year's figures are italicised and given in brackets.

(Rs. In Lacs)

Business Segments (for Quarter ended 30th June 2005)					
	Educational Services			Others	
	Professional Development	Smart Class	ICT Solutions		Total
Revenue	218.27	87.98	203.20	29.21	538.66
Expenses	72.61	56.75	147.97	29.21	300.37
Results	145.66	31.23	55.23	6.17	238.29
	-	-	-	-	-
Less: Unallocable Expenditure					116.18
Add: Other Income					6.33
Operating profit					128.44
Profit Before Tax					128.44
Less: Tax Expense					
-Current					60.00
-Deferred					(12.43)
Profit After Tax before impact of change in accounting Policy					80.87
Less: Impact of change in accounting Policy					-
Profit After Tax Restated					80.87

Business Strategy

In sum, our business strategy is as follows:

Expansion of Domestic Market

- To expand the geographical reach for both Smart_Class™ and Professional Development Program by moving to smaller cities and towns
- To strengthen relationships with existing schools and focus on renewing the contracts for Smart_Class™ and converting Education Infrastructure projects into Smart_Class™ projects

- To cross-sell Professional Development Program to a school which has implemented Smart_Class™ and vice-versa
- To pursue the government / semi government institutions to move the up the value chain by having more digital educational contents in the Education Infrastructure project
- To increase the number of distributors for our retail products and expand the PLAY-N-LEARN chain of retail stores
- To look for inorganic growth through M & A with the companies in India having a presence in education technology domain.

Smart_Class™ in US market

We plan to introduce our Smart_Class™ solutions in the US market. As a part of our US strategy, we will pursue the public school market and will primarily focus on math and science curriculum and assessment as we feel that these are universal subjects. We will begin with the primary schools in the major states and then roll our product out to middle and high schools. The development plan seeks to test the product thoroughly via pilots, before expansion, and targets the biggest markets first.

Development of content is a very expensive proposition and therefore we will begin by creating content that can be used, without further customization, by the maximum number of students. Additional criteria include spending by each segment, educational philosophy of customers in each segment and the current organizational capabilities to service the particular segments.

There are 50 states in the US in addition to the District of Columbia. Each state has created its own curriculum and assessment tests necessitating customization of the our content to each individual state. However there is a great degree of similarity of the curriculum and assessment for each state. As per our study the extent of customization required from state to state is about 20%. We plan to develop 750 modules for core content., which will be modified later to meet the specific requirements of various states in US. In the initial phase we plan to target 7 states in US.

The first state in US which we are targeting is California as it spends \$1.7 billion,(Source ISSN : 1742-1004 , Issue 2 dated 2005) the most by any state, on instructional materials, faces the most challenges related to underperforming schools and has progressive outlook on use of technology in the classroom. Within the state of California, We are planning to target the elementary school market since the elementary market enjoys 53% of all funding for instructional materials (\$6.3 billion nationwide).

We have already successfully carried out a paid pilot test of our curriculum materials at Franklin Elementary School, Santa Barbara, California.

Industry Participants

The US K-12 education and training market is dominated by Pearson Education (19%), Hartcutt Education (14%), McGraw Hill (13%) and Houghton-Mifflin (9%). (Source ISSN : 1742-1004 , Issue 2 dated 2005) Core instructional materials i.e. textbooks, still comprise a lion's share of the overall market but supplemental and reference materials that are well integrated with technology in the classroom are growing in significance. The innovation is largely being driven by new smaller companies like Leapfrog and Renaissance Learning. While the companies offer interesting solutions, these solutions are not comprehensive and cannot be used cover the curriculum in its entirety.

Another area of growth is the assessment market, which is growing due to the mandates of the No Child Left Behind Act. Schools require assessment products to measure and prepare their students for high stakes testing. Players in this segment include ETS and Plato in addition to larger players like Pearson.

Main Competitors

Our direct competitors in the supplemental content business are Ignite Learning, Classworks, and Plato:

Publishers are indirect competitors as they have the ability to push supplemental materials with the sale of their textbooks. Publishers have used the accompanying CDs to justify the high cost of textbooks but the schools have found little use for them and in fact California is attempting to force a reduction in textbook price by forgoing the accompanying supplemental materials. Publishers also provide assessment tools that compete with a portion of our business.

Marketing & Distribution Strategy

We plan to penetrate the US market through our 100% wholly owned subsidiary –Edumatics Corporation Inc. The target segment shall be the schools & we plan to target this market under the brand name of EDUSMART. We shall be using multiple channels to sell curriculum and assessment products into schools. Selling into schools requires relationships with teachers in the classroom as well as school principals and district administrators, since decisions are typically made at the district level but require the support of teachers and principals. We propose to build these relationships in two ways:

- a. Our sales team would conduct multiple paid pilots in various schools across different states in the country and be able to prove via scientific based research that our products and solutions are working to improve teaching and academic scores.
- b. We would tie up with channel partners such as independent sales people and value added resellers who would be able to showcase our products to their client base and relationships
- c. We would enter into strategic business alliances with publishers and education technology companies that already have reach into schools and would be willing to co-sell our products in schools.
- d. We will also look for M& A options with the companies in US having an broad base of clients / good reach, synergetic products , good penetration in US market etc

Competitive Edge

Over the past decade we have put together a team of educators, teachers, academics, computer technologists and business professionals to build significant intellectual capital within the company. Our customized offerings have a diverse customer base, producing products in several languages and catering to the entire range of schools from the top urban schools to the remote rural schools.

Our intellectual capital, operational know-how and its cost leadership developed over a decade of successful existence in India, are its competitive advantage as it enters the US market.

For developing the contents for US we plan to set-up a facility in Bangalore with a capacity of 300-employees initially. This will result in a lower cost structure which we would enable us to leverage to offer competitive pricing.

To lower the barrier to purchase we propose to encourage low cost or even free trial by innovative teachers. We will rely on our teacher consultant network to launch pilot programs in key schools across the country. We propose to recruit our teacher network through references, meetings and conferences and by direct marketing through databases. As the pilot project progress we propose to give publicity through research articles and performance reports.

We have already done pilot project for Smart_Class™ at Franklin Elementary School, Santa Barbara, California, which has been successful. Following the completion of California pilot, we propose to target Texas, New York and Florida. Upon gaining sufficient elementary school coverage in the major states we will start developing curriculum content for middle schools followed by high schools.

We have also developed SAS (Smart Assessment System)– an assessment tool, which is a unique technology for assessing & measuring the performance of learning.

Online Tutoring for US Market

Currently Private Tutoring is an \$8 billion Industry in the US and it is growing at an estimated rate of 10%-15% per year. (Source ISSN : 1742-1004 , Issue 2 dated 2005)The key driver for the private tutoring market is the school population that is underachieving in annual assessment tests conducted by the schools. Tutoring is seen as a means of providing supplemental out of school help to students helping them to do better on the tests. The other major driver for the tutoring industry is the funding available by the US federal government under Title 1 program, which pays for supplemental services to improve student performance in the lowest performing schools. . The schools are barred from providing these services, which instead must be provided by third party commercial companies. The estimated \$2.7 billion now available for supplemental services has lead to several new ventures. The rapid growth of this industry has created awareness about the benefits of private tutoring in the US.

Our US subsidiary, Edumatics Corporation, shall be marketing for our online tutoring along with Smart_Class™. At present, we are targeting the Indian community in US for our online tutoring class. We have also tied up with Google, USA for marketing our online tutoring for Math. Our tutoring service is expected to be priced between \$15-\$20/hour depending on market conditions and level of tutor required for the service. We will strive to keep the service affordable since we plan to go for volume customers.

The facility for math tutors is also proposed to be set up in Bangalore, as this will give us a cost advantage

Future Prospects

We aspire to be one of the leading education technology solutions providers in the world.

The Company developed a pedagogy linked pre school curriculum “Roots to wings” in 2005. Under research initiatives, the researchers of the Company are also working on “Onwards to excellence” - a whole school transformation, empowering schools towards excellence.

Location of Offices

Our branch offices are located at:

Location	Address
Bangalore	#16,80 Feet Road, 4 th Block Koramangala, Bangalore-560034
Mumbai	204,Samarpan Complex, New Link Road, Chakala, Andheri (E),Mumbai-400057

Our regional offices are located at:

Location	Address
Jeypore	New Colony PR Peta, Prasad Rao Peta (P.O) Jeypore (Koraput) Orissa-764003
Bhubaneswar	D/ 206, Baishnav Vihar Apartments, Near Durga Puja Mandap, Bhoomikhal, Bhubaneswar –751006
Secunderabad	25, Lalitha Nagar Colony, West Marredpally, Secunderabad-500026
Agartala	Above A.K.Azad Computer Institute, Joybagar,Middle Road, Agartala-799001
Lucknow	204,Chandralok Tower, Kapurthala,Aliganj, Lucknow
Dehradun	R/O S-3 D-39, Defense Colony, Dehradun

All the above offices are on leased premises.

Purchase of Property

The following is the list of the transactions relating to properties:

1. We acquired a property, Industrial Plot No. 514, Phase III, In Udyog Vihar, Gurgaon measuring 1046.30 Sq ft from Haryana State Industrial Development Corporation Limited (HSIDC) through execution of a Deed of Conveyance dated July 17th, 2003, for the purpose of establishing a software development industry in accordance with the agreement dated July 25th, 2001 and Letter of allotment dated March 16th, 2001. We paid a total consideration of Rs 5,2315,00 towards the price of the plot.
2. We entered into an agreement dated March 31st, 2005, with our subsidiary Educomp Learning Pvt Ltd. to sell the Plot No. 514 Phase III, Udyog Vihar, Gurgaon Haryana for an aggregate consideration of Rs. 1,74,90,272/-.

Our promoter Mr Shantanu Prakash and whole-time Director Mr. Jagdish Prakash who hold 40% and 9% stake respectively in Educomp Learning Private Limited are interested parties in the above transaction.

3. We purchased from M/s Vipra Services India Pvt. Ltd Office No. 204 measuring 591 square feet (54.90 square meters) carpet area on the second floor of the building known as SAMPARAN COMPLEX, equal to ten shares (No. 81 to 90) of Samarpan Premises Cooperative Society Limited, situated at

New Link Road, Chakala, Andheri (East), Mumbai- 400 099 through a Sale Deed dated March 1st, 2005. We paid a total consideration of Rs. 28,00,000/-

4. We executed a sale deed dated March 28th, 2005 with Educomp Learning Pvt. Ltd. to sell the Office No. 204 admeasuring 591 square feet/ 54.90 square meters carpet area on the second floor of the building known as SAMPARAN COMPLEX, equal to ten shares (No. 81 to 90) of Samarpan Premises Cooperative Society Limited, situated at New Link Road, Chakala, Andheri (East), Mumbai 400 099 situate on a plot of land bearing Survey No. 87, Hisa No. 1, C.T.S No. 444, totally measuring 2238 square yards in Village Chakala, Andheri Taluka. We have received a total consideration of Rs. 31,34,397. We have obtained a "No Objection" certificate from Samarpan society. We have transferred all rights, title and interest in the property and has handed over possession to Educomp Learning Pvt. Ltd.

Our promoter Mr Shantanu Prakash and whole-time Director Mr. Jagdish Prakash who hold 40% and 9% stake respectively in Educomp Learning Private Limited are interested parties in the above transaction.

Except as stated in the section titled "Objects of the Issue" and elsewhere in this Draft Red Herring Prospectus, there is no property which the Company has purchased or acquired or propose to purchase or acquire which is to be paid for whole, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

the contracts for the purchase or acquisition were entered into in the ordinary course of the business and the contracts were not entered into in contemplation of the Issue nor in the Issue contemplated in consequence of the contracts; or the amount of the purchase money is not material; or

Except as stated in the section titled "Related Party Transactions" on page 110 of this Draft Red Herring Prospectus, the Company has not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

III. Regulations and Policies in India

There are no regulations specific to our industry.

IV. History and Certain Corporate Matters

Incorporation

The Company was incorporated in Sept 1994 as a Private Limited Company by Mr. Shantanu Prakash, an alumnus of Indian Institute of Management, Ahmedabad and Dr. Anjee Prakash, Ph.D. in cognitive sciences. Since inception till 1999, the Company was engaged in the business of setting up and maintaining of computer labs in private schools under BOOT model and in government schools under subcontract awarded by Government of India Undertakings.

The Company launched eCampus in 1998 and PlanetVidya.com- an educational portal in 1999. In 2000, the Company started its trading operations with CD-ROMs and added educational toys in 2003. In June 2000, Carlyle, a U.S Investment company made a strategic investment amounting to \$ 2.10 million (amounting to Rs 1087 lacs) for a 15% equity stake in the Company. On 18th September 2000, the Company was converted from private limited company to a public limited company. In 2002, the Company entered the e-learning space with its Learning Mate division and launched Learning Mate Nhance, a learning Content Management platform. In 2002, the company also set up its fully owned subsidiary, Edumatics Corporation, in US.

The Company launched Smart_Class™ Content solutions in June 2003, a novel concept in Education space, which is aimed at transforming an entire classroom into a Technology enabled classroom.

In 2003, the Company floated a subsidiary by the name of Learning Mate Solutions Pvt. Ltd. Furthermore pursuant to a Business Transfer Agreement dated August 29, 2003. (Refer section on Shareholders Agreement on Page 79), the shareholding of the Company in Learning Mate Solutions Pvt. Ltd. was transferred to the management team and assets and liabilities pertaining to the e-Learning division of the Company were also transferred to Learning Mate Solutions Pvt. Ltd. The Carlyle group extended further funding to this company and took up a majority stake in the same.

The Company today is one of the leading providers of technology enabled education solutions and services for K-12 (Kindergarten to Class 12) institutions. The Company has 844 employees operating out of over 9 locations in India.

In August 2004, the Company entered the US market with the signing of a US pilot project with Franklin Elementary School, Santa Barbara, California, U.S.A. The company has also entered the Asia Pacific Market with pilot projects at Cedar Girls School, Singapore in November 2004. The company has successfully executed the pilot projects.

The Company also launched "Online Tutoring " for teaching mathematics to the students in the US in 2005.

In July 2005, Carlyle exited from the company by selling its stake in the company to the promoters in return for the promoters relinquishing their stake in Learning Mate Solutions Pvt. Ltd.

Milestones achieved by the Company

Year	Event
1994	Incorporation of Company
1998	Launched eCampus –a student information system
1999	Launched PlanetVidya.com, a portal
2000	Strategic investment by the Carlyle Group
	Conversion to Public Limited Company
	Entry into trading operations
2002	Set up a fully owned US subsidiary Edumatics Corporation
	Launched Learning Mate NHance a Learning Content Management Platform
2003	Launched Smart_Class™ Content Solutions
	Divested the international custom content business to Carlyle
2004	ISO 9001: 2001 certification for ICT solutions
	Signed US pilot with Santa Barbara School Districts

	Entered the Asia Pacific market with pilots in Singapore
2005	Launched Online Tutoring services
	Exit of Carlyle

Awards and Recognitions:

We received the CNBC Emerging India award in the ICT & ITES sector sponsored by CNBC TV 18, CRISIL and ICICI. This award honours India's best enterprises in various categories. We were the winner in the ITES and ICT category.

We received "SM 1" rating from CRISIL indicating highest level of creditworthiness under SME rating of CRISIL.

Our Main Objects

The main objects as contained in our Memorandum of Association are:

1. To acquire and take over the business as a going concern of MESSRS EDUCOMP DAMATICS a sole proprietor firm running at C-30A, Model Town 111, Delhi – 110009 along with all assets and liabilities in connection therewith and for this purpose to enter into an agreement with the said proprietorship business as may be deemed fit and proper by the Company. The said proprietorship concern shall cease to carry on business from the date of such takeover.
2. To carry on the business of computer education in India and/or abroad, in all fields of software's, hardware, and marketing by organizing courses, running bureaus, publishing books magazines, notes and other materials in typed, cyclostyled, video, audio or any other forms/medias and to set up wide area and local network for educational and research purposes.
3. To carry on the business to develop, design, buy, sell, distribute, import, export, alter, exchange, install, repair, research, service or otherwise deal in all kinds of computers, hardware's, software's, computer peripherals, data processing machine, and other educational software.
4. To render organizational development services, establish and operate training centres (data and information center and bureaus) and to render services to customers in India and elsewhere by processing their jobs at data processing centers.
5. To carry out all these activities necessary for the dissemination of knowledge/literature in the field of computer and other subjects such as mathematics social sciences, pure sciences such as publishing, operating press, setting up database, CD-ROM'S.

The main objects clause of the Memorandum of Association enables the Company to undertake the activities for which the funds are being raised for the issue and also the activities, which the Company has been carrying on till date.

Changes in the Memorandum of Association

Since its incorporation, the following changes have been effected to the Memorandum of Association:

Date of Shareholder Approval	Changes
17.02.1998	Change in authorised capital from Rs 5 lacs to Rs 20 lacs
23.04.1999	Change in authorised capital from Rs 20 lacs to Rs 40 lacs
12.05.2000	Change in authorised capital from Rs 40 lacs to Rs 80 lacs
02.08.2000	From Private Limited Company to Public Limited Company
29.03.2001	Change in authorised capital from Rs 80 lacs to Rs 500 lacs
08.09.2003	Change in clause 19A of Articles of Association relating to appointment of nominee director

22.07.2005	Change of Name from Educomp Datamatics Ltd. to Educomp Solutions Ltd. Change in Clause I of Memorandum of Association relating to name change.
26.07.2005	Change in Articles of Association to give effect to Public Issue. Change in Clause V of Articles of Association relating to increase in authorized capital.

The details of the capital raised by the Company are given in the section entitled “Capital Structure” on page 28 of this Draft Red Herring Prospectus.

Subsidiaries of the Company

The Company has three subsidiaries, the details of which are as follow:

1. Edumatics Corporation, USA

Edumatics Corporation, USA was incorporated as a Corporation on October 16, 2000 with its registered office at 22738, Maple Road, Suite 101, Lexington Park, Maryland -20653 and correspondence address is 1655 Mesa Verde Avenue, Suite #120, Ventura, CA 93003

Edumatics Corporation was founded to be the sales and marketing arm of the Company. In the initial phase, it focused on getting business for developing custom content and technology solutions for the Company. During the course of the first few years, the company was associated with a number of publishers like Kaplan, Harcourt Mifflin, Lippencott, Thomson etc for developing custom content as well as technology based solutions, which was sourced to Learning Mate division. In September 2003, the Company entered into an agreement with Carlyle to hive off the Learning Mate division. Pursuant to this agreement, the division was hived off and Carlyle took up majority stake in a new company based in Mumbai called Learning Mate Solutions Pvt. Ltd. The staff of Edumatics Corporation, USA was also transferred to Learning Mate solutions Pvt. Ltd. As a result, of this Edumatics Corporation ceased to do business and revenues for 2003-2004 were negligible.

In late 2004, ESL formulated a plan to penetrate the US market via Smart_Class™ content and online services and, in June 2004, we were invited by ISTE (International Society for Technology and Education) to address a seminar with the top educators of the US. After the conclusion of this seminar, we launched our first Smart_Class™ pilot study at Franklin Elementary School, Santa Barbara, California, where we customized the Smart_Class™ content for Grade 5 students. The successful completion of pilot installation was instrumental in defining our US strategy. Now Edumatics Corporation is proposed to be the flagship vehicle for penetrating the US market through Smart_Class™ solutions. A number of pilot projects are in the planning stage, which would enable the Company to launch products in the market.

Board of Directors

The Board of Directors of Edumatics Corporation, USA, comprises Mr. Shantanu Prakash and Mr. Eric Willard.

Shareholding Pattern

Edumatics Corporation, USA, has a paid-up Equity Share capital of USD 123,100 comprising 123100 shares of USD 1 each. The Company, legally and beneficially, together with its nominees, owns and holds the entire issued and paid-up share capital of the Company.

The subsidiary plans to adopt an ESOP, to incentivize & recognize the efforts of directors & key employees. The company proposes to allot shares to certain employees, including Shantanu Prakash, Director of the company. Also Mr. Sandeep Kumar, CEO, Edumatics Corporation has a 10% share in the profits of Edumatics Corporation as a part of incentive.

Financials

(in Rs Lacs)					
	Quarter ending	As at for year ending			
	30.6.05	31.3.05	31.3.04	31.3.03	31.3.02
Sales	0.00	0.00	103.49	109.16	0.59
Other Income	0.00	36.97	0.00	0.00	0.00

Total Income	0.00	36.97	103.49	109.16	0.59
PBT	(11.04)	34.74	36.17	(21.62)	(112.43)
PAT	(11.04)	34.74	36.17	(21.62)	(112.43)
Capital	53.56	54.08	53.78	58.29	29.87
Net Worth	(11.03)	(0.04)	(34.69)	(75.22)	(63.69)

2. Educomp Learning Private Limited

Educomp Learning Private Limited (ELPL) was incorporated in October 6, 2003 as a private limited company with its registered office at No #16,80 Feet Road, 4th Block Koramangala, Bangalore-560034. ELPL is into providing e-learning and education services in India and/or abroad in all fields of software, hardware and marketing developing or any other related activity.

Board of Directors

The Board of Directors of ELPL comprises Mr. Shantanu Prakash and Mr. Jagdish Prakash.

Shareholding Pattern

ELPL has a paid-up Equity Share capital consisting of 105,000 shares. The shareholding pattern is as follows:

Shareholders	% holding
Educomp Solutions Ltd.	51
Mr. Shantanu Prakash	40
Mr. Jagdish Prakash	9

Financials

	Quarter ending	(in Rs Lacs)	
		As at for year ending	
	30.6.05	31.3.05	31.3.04
Sales	25.00	309.50	-
Other Income	0.00	0.00	-
Total Income	25.00	309.50	-
PBT	(19.82)	189.66	-
PAT	(19.64)	120.56	-
Capital	10.50	10.50	10.50
Net Worth	111.42	131.06	10.50

3. Wheatstone Production Private Limited

Wheatstone Production Private Limited (WPPL) was incorporated on December 10, 1998 as a private limited company with its registered office at No 71/5, VI, Main Road, Gandhinagar, Adyar, Chennai - 600020. The main business of WPPL is periodicals and children magazines like Chatter Box.

Board of Directors

The Board of Directors of WPPL comprises Mr. Shantanu Prakash, Mr. Niraj B. Jha, Ms. Vidya Mani and Mr. M.S. Shyam.

Shareholding Pattern

WPPL has a paid-up Equity Share capital consisting of 168,429 shares. The shareholding pattern is as follows:

Shareholders	% holding
Educomp Solutions Ltd.	51
Mr. Niraj B. Jha	12.25
Mrs. Vidya Mani	12.25
Mr. M. S Shyam	12.25
Mr. M.S. Kabirdas	12.25

Financials**(in Rs Lacs)**

	Quarter ending	As at for year ending				
	30.6.05	31.3.05	31.3.04	31.3.03	31.3.02	31.3.01
Sales	7.04	22.53	17.49	26.49	2.39	9.54
Other Income	0.00	3.02	7.76	8.83	13.89	0.35
Total Income	7.04	25.55	25.25	34.81	16.28	9.89
PBT	2.38	5.45	(7.75)	(28.01)	(14.59)	(19.30)
PAT	2.38	5.45	(7.75)	(28.01)	(14.59)	(19.30)
Capital	16.84	16.84	16.84	16.84	16.84	16.84
Net Worth	(22.74)	(25.11)	(30.57)	(22.81)	5.20	19.29

Shareholders agreements and other key agreements**Share Subscription Agreement****1. Lakshya Digital Private Limited**

The Company executed a Share Subscription and Shareholders Agreement dated January 15th, 2005 with Manvendra Shukul ("MS"), Dibyajyoti Chaudhari ("DC"), the founders of Lakshya Digital Private Limited ("Lakshya"), Shantanu Prakash (Investor A) and Educomp Learning Private Limited ("ELPL") and Lakshya. Lakshya was incorporated on July 13th 2004, as a private company for the purposes of carrying on the development of computer software games, console games, mobile games or related components, compact disc, video compact discs and encyclopedia or content development including animations and artwork and other allied products.

Pursuant to this agreement, the Company agreed to invest a sum of Rs. 62,50,000 (Rupees Sixty Two Lakhs, Fifty Thousand only) by way of subscription to 5000 preference shares of the face value of Rs. 10/- each, at a premium of Rs. 1,240 per preference share in the share capital of Lakshya. ELPL agreed to invest a sum of Rs. 1,87,50,000/- (Rs. One Crore Eighty Seven Lacs Fifty Thousand only) for 8000 preference shares in the share capital of Lakshya. Preference shares shall have a preferential right over and above equity shares to receive dividends at a rate of 5% p.a. calculated at the face value of preference shares. The preference shares issued to the Company and ELPL ("Investor B") shall be redeemed by mutual agreement among the preference shareholders by conversion into equity shares of Lakshya at anytime before the expiry of the maximum period specified for redemption in terms of the Companies Act at a value determined by the Board of Directors of Lakshya. This will be done in such a manner that the shareholding of each of the parties on a fully diluted basis shall not stand altered. Further, the preference shares issued to Investor B shall immediately be converted into equity shares if the Investor A shares are sold to third party.

Further, Mr. Shantanu Prakash agreed to invest a sum of Rs. 2,23,330 (Two Lakh Twenty Three Thousand Three Hundred and Thirty only) by way of subscription to 22,333 equity shares of the face value of Rs. 10/ each in the share capital of Lakshya, which represents 67% of the equity capital on a fully-diluted basis. A total of three percent (3%) of the total paid up and issued Equity Share Capital was also reserved for the employees of Lakshya pursuant to an ESOP. If the shareholding of Lakshya remains same and there is no further investment, then if Lakshya achieves a profit after tax of Rs 620 lacs within the first four years of its incorporation, the management team shall be allotted sweat equity shares equal to 10% of the issued and paid up capital prior to such issue.

As per the agreement Mr. Shantanu Prakash, was to be appointed the non-executive Chairman of the Board of Directors. Further, Lakshya shall appoint three nominees of Investor A (which would include Investor A) and one nominee of Investor B on the Board of Directors of Lakshya. However, the directors so appointed will not be responsible for the day-to-day management of Lakshya. Shareholders will have the pre-emptive rights on the new issue of shares, right of first refusal and co-sale rights on sale of shares by any shareholder.

The parties agreed to make reasonable efforts to cause Lakshya to achieve listing in a specified time period subject to the condition that Investor A and Investor B will not be considered as promoters and the shares held by them shall not be locked in as promoter's contribution.

Pursuant to issue of shares under ESOP, the issued and paid up capital of Lakshya on a fully diluted basis shall be as follows

Shareholders	No. of Shares	Subscription Amount	% of the Issued and Paid Up Equity Capital
MS	5,000 Equity Shares	Rs. 50, 000	15%
DC	5,000 Equity Shares	Rs. 50, 000	15%
Shantanu Prakash	22,333 Equity Shares	Rs. 2, 23, 330	67%
ESOP	1000 Equity Shares	Rs. 10,000	3%
Educomp	5000 Preference Shares	Rs. 62, 50, 000	N.A
ELPL	15000 Preference Shares	Rs. 1,87, 50,000	N.A
TOTAL	33,333 Equity Shares and 20000 Preference Shares	Rs. 2,53, 33,330	100%

2. Wheatstone Productions (P) Ltd

The Company entered into a share subscription agreement dated 12th January, 2001 with Wheatstone Productions (P) Ltd (herein referred to as "Wheatstone"), Ms. Vidya ,Mr. Niraj B Jha,Mr. Shyam M S and Mr. Kabirdas M S (thereinafter collectively referred as "Promoters"). The Company thereby acquired by way of subscription 85,899 equity shares of Wheatstone of Rs 10/- par value at the rate of Rs. 39 per share representing on a fully diluted basis, 51% of its Equity Capital for an aggregate price of Rs. 33, 50, 061/- (Rupees Thirty Three Lakh, Fifty Thousand and Sixty Thousand Only). The voting rights of the Company shall be proportionate to the total equity shares of Wheatstone. The Company's shares shall not be subject to any lock-in at any point of time.

The Company shall not be required to provide guarantees or collateral's as a shareholder of the Wheatstone.

The Company also has extensive rights encompassing information rights, board representation, mandatory positive consent on an extensive list of Board resolutions, share participation rights, pre-emption and tag along rights, and Wheatstone's "best effort" obligation to proceed to listing.

3. Carlyle

Subscription Agreement dated June 2nd, 2000

Two Cayman Island entities, CAIT Interim Partners LP and CIPA Co-Investment LP (collectively 'Carlyle'), entered into a share subscription agreement dated June 2nd, 2000 with the Company, Mr. Shantanu Prakash and Dr. Anjee Prakash (Promoters) and thereby acquired by way of subscription 68501 equity shares of the Company at a price of Rs. 1587.57 per share representing 15% of its equity capital.

Pursuant to the agreement, Carlyle had the right to appoint one nominee on the Board of Directors of the Company. Further, Carlyle was also given pre-emptive rights on any issue of shares to maintain its shareholding, right of first refusal and co-sale rights on sale of shares by promoters. The Company was to use its best efforts to achieve listing by March 31st, 2004 to facilitate Carlyle to divest 100% of its shareholding. If the listing were not to happen within the stipulated period, the Company was to provide an exit to Carlyle through an offer for sale or strategic sale.

CAIT and CIPA transferred their shares to their affiliate, First Carlyle Ventures Mauritius ('Carlyle Mauritius') through the execution of a deed of adherence in 2001. Due to inappropriate market conditions, the Company could not list by March 31st, 2004 and Carlyle could not exit in time as it had planned.

Agreement dated August 29th, 2003

The Company entered into an agreement dated 29th August 2003 with Carlyle Mauritius, Mr. Shantanu Prakash and Dr. Anjee Prakash (Promoters), Learning Mate Solutions Pvt Limited ('LMS'), and identified key managers ('Managers') whereby the parties amended their original agreement and now agreed as follows:

- Within fifteen days, Company shall hive off its 'learning mate division' to LMS on a slump sale basis.
- Managers shall acquire all of the Company's and Promoters' shareholding in LMS. Promoters shall resign as directors of LMS. Simultaneously, Carlyle Mauritius shall cease to have the right to appoint a director on the Board of Directors of the Company.
- Carlyle Mauritius' substantial shareholders rights in the Company shall be materially diluted and shall now be limited to inter alia changes in organic documentation, mergers and acquisitions, winding up and substantial sale of assets, capital expansion and extraordinary related party transactions.
- Where the Company is unable to provide exit to Carlyle, at any time after June 30th, 2005 (subsequently amended to June 30th 2006), Carlyle could compel a strategic sale of the Company in specified circumstances on terms set forth therein. Where such strategic sale occurs, Promoters are entitled to acquire 9% of LMS at par or lower price as the law may permit.

Business Transfer Agreement dated Sept 17th, 2003

In an quadripartite agreement dated Sep 17, 2003 between the Company, LMS, Carlyle Mauritius and Promoters, the Company performed its obligations pursuant the Agreement of August 29th, 2003 and sold the specified business to LMS on certain terms and conditions, The major terms of this business transfer are as follows:

- LMS to pay cash consideration of Rs 13,62,000 to the Company
- LMS to pay off the lease liability of M/S Intec Securities Limited amounting to Rs 7,66,353
- LMS to pay off loans extended by the company to the employee Mr. M R Ganesh Kumar amounting to Rs 1,10,000
- LMS to pay off the liability of Rs 75,00,000 to State Bank of Patiala, New Delhi
- LMS to transfer 100% of equity shares in a proposed subsidiary company to the Company and will transfer to this subsidiary the preferred marketing rights to distribute LearningMate Nance for LMS to the school and education segment for government sector in India.
- Promoters of ESL got the 9% stake in LMS

LMS to pay to the Company a sum of Rs 6,00,000 being moneys advanced for making certain payments on the request of Mr. Samudra Sen, CEO of LMS

Settlement Agreement dated July 7th, 2005

The Company entered into a settlement agreement dated July 7, 2005 with Carlyle Mauritius and its Promoters, whereby Carlyle Mauritius agreed to transfer its entire shareholding comprising 7,53,511 shares in the Company to the Promoters or their nominees for an aggregate sum of Rs. 60 lacs. All of Carlyle's shareholders' rights in the Company shall terminate, and promoters shall waive all of their rights to acquire 9% shares in LMS.

By this Agreement, parties have expressly and mutually released each other from all rights, obligations, liabilities, claims and so forth.

Other agreements

1. Software purchase and licensing agreements

The Company has executed following software acquisition agreements:

a. Agreement with Kreative Vistas dated July 1st, 2004

The purpose of this agreement was to acquire and use animation software content developed by M/S Kreative Vistas, which consists of animation, graphics, texts, live video, audio and voiceovers with an aid to instruct a student through a step by step approach to understand the topic through pictures and animations. All copyrights, patents, trade secrets or other intellectual property rights associated with any ideas, concepts, techniques, intentions, processes or works of authorship developed or created by

Kreative Vistas or its personal during the course of performing the Company's work shall belong exclusively to the Company unless specifically agreed otherwise, in writing, on a case to case basis.

This agreement is constructed on a 'pay as you go' format with invoices being raised monthly for work done. Aggregate consideration payable under this Agreement is specified at Rs. 1,21,05,450.00. Either Party may, at its sole option, terminate this agreement upon serving 3 months advance written notice.

b. Agreement with ELPL dated April 1st, 2004

The Company entered into an agreement dated April 1st, 2004 with Educomp Learning Private Limited (ELPL), a Company affiliate by which, ELPL shall predominantly provide software development and other related services as specified by the Company from time to time in terms of work orders. The Company retains all rights and title to and in all intellectual property rights in software, methodology, databases, computer programs, hardware, server, audio/visual equipment, tools, general utility programs, discoveries, inventions, techniques, writings, know-how, designs, or other information either owned by the Company prior to the date hereof, acquired by the Company during the term of this Agreement or specifically created by ELPL or the Company under this Agreement.

This Agreement is effective for an initial period of three years. It would be automatically renewed for successive period of three years or any mutually agreed terms on its anniversary date unless (i) the Company gives thirty (30) days written notice of termination with or without cause or (ii) the Agreement is terminated earlier in accordance with its terms. The Company may terminate this Agreement with or without cause on ninety days written notice.

c. Agreement with M/S Designmate dated April 20th, 2005

By this agreement dated 20th April 2005 between the Company and M/s Designmate (India) Private Limited, Ahmedabad, the Company has agreed to purchase 30 licenses from Designmate on or before 20th July 2005. The Company has agreed that the licenses would be purchased in multiples of 10 licenses for which the Company would pay Rs. 55,000 per license. Taxes if applicable would be charged extra. The full payment for all the 30 licenses to be purchased would be made on or before 31st July 2005. The Company had agreed that all licenses provided to the Company may be used for installation in the school premises only. This software may be used for school academic purpose only through the school's network. Broadcasting or sharing on WAN is not permitted.

d. Operational Level Agreement with Argu Soft dated Dec 31st, 2004

This Operational Level Agreement dated 31st Day of December, 2004 has been entered into between Argu Soft India Limited, with its registered office at 104, 40-41, Ansal Building, Mukherjee Nagar, Delhi and the Company. By this Agreement, Argu Soft India Ltd has agreed to provide web enabled service to the Company's online tutoring business. Either party may at its sole option, terminate this agreement upon three months advance written notice. In the meantime, unless alternative arrangements are organized, each party is responsible for execution of its scheduled responsibilities. If the Company terminates this Agreement prematurely without cause, the Company forfeits all monies paid as advance yet have no right over any part of the work product. Argu Soft India Ltd. has assumed the risk associated with web delivery. Intellectual properties owned, used or created during the provision of services hereunder by Argu Soft India Ltd will be owned by Argu Soft India Ltd. This is a contract for service, not a transfer of a license.

2. Deed of Assignment with ELPL dated April 1st, 2004

The Company entered into an agreement with Educomp Learning Pvt. Ltd on April 1st, 2004 whereby the Company assigned the trademark in the word "Educomp" to ELPL for a period of three years for a consideration of Rs. 15000/-.

3. Memorandum of Understanding ("MOU") dated April 1st, 2005 with Learning Links Foundation:

The Company has entered into an MoU with Learning Links Foundation for facility sharing. The Company shall be charging Learning Links Foundation a monthly sum of Rs. 10,000/- for the period April 2005 to March 2006 in the following manner:

Hiring charges of hardware & related accessories @ 5000/- per month;

Other infrastructure charges such as using of office space, telephone, electricity etc @ Rs. 5000/- per month.

4. Memorandum of Understanding (“MOU”) dated April 1st, 2005 with Learning Leadership Foundation:

The Company has entered into an MoU with Learning Leadership Foundation for facility sharing. The Company shall be charging Learning Leadership Foundation a monthly sum of Rs. 10,000/- for the period of April 2005 to March 2006 in the following manner:

Hiring charges of hardware & related accessories @ 5000/- per month;

Other infrastructure charges such as using of office space, telephone, electricity etc @ Rs. 5000/- per month.

5. Memorandum of Understanding (“MOU”) dated April 1st, 2005 with Educomp Learning Pvt. Ltd.:

The Company has entered into an MoU with Educomp Learning Pvt. Ltd. for facility sharing. The Company shall be charging Educomp Learning Pvt. Ltd. a monthly sum of Rs. 10,000/- for the period of April 2005 to March 2006 in the following manner:

Hiring charges of hardware & related accessories @ 5000/- per month;

Other infrastructure charges such as using of office space, telephone, electricity etc @ Rs. 5000/- per month.

6. Agreement dated April 1st, 2005 with Educomp Learning Private Limited :

The Company has entered into the Software Development, Services and Licensing Agreement dated April 1, 2004 (“Software Services Agreement”). In consideration of the said contract, Educomp agrees to pay to the Contractor Service Fees/License Fees equal to the sum of the costs incurred by the Contractor for each Project Assignment and a mark up of 20% over and above the sum of the costs incurred by the Contractor for each Project Assignment. The parties agree that the above cost plus mark up methodology to determine the Service Fees/License Fees under this Agreement is at arms length, reasonable and comparative with the Information Technology industry standards

Strategic Partners:

The Company does not have any strategic partners.

Financial Partners:

The Company does not have any financial partners.

V. Management

Board of Directors

As per the Articles of Association, the Company must have a minimum of three (3) and a maximum of twelve (12) Directors. As of June 2005, the Company has five (5) Directors of which the Company has two full time directors. The two full time directors have been allocated the following designations and responsibilities:

Mr. Shantanu Prakash, Managing Director, is responsible to the Board for optimizing shareholder value and for ensuring legal and fiscal compliance.

Mr. Jagdish Prakash, Director, is responsible for warehousing and operational activities of the Company.

The following table sets forth the current details regarding our Board of Directors:

Name	Date of App	Qualification	Other Directorship
Mr. Shantanu Prakash Managing Director S/o Jagdish Prakash C-11/1 DLF City Phase 1 Gurgaon, Haryana Age- 40 years	Sept 7, 1994	B.Com (Hons), PGDM from IIM , Ahmedabad	Educomp Learning Private Limited, Wheatstone Production Pvt. Ltd., Lakshya Digital Pvt. Ltd., Edumatics Corporation, USA
Mr. Shonu Chandra Independent Director s/O Dr Sudhir Chandra 302A, ILA Apartment, Vasundhara Enclave N. Delhi Age- 40 years	Sept 8, 2003	MA in Mass Communications	Waves Communications Private Ltd.
Mr. Sankalp Srivastava Independent Director S/o Dr. K Prasad BE- 81, Janak puri New Delhi- 58 Age- 41 years	Sept 8, 2003	B.E. (Electronics & Communication Engineering)	Mark & Space Private Ltd., Tele- Bias Networks Pvt. Ltd.
Mr. Jagdish Prakash Whole-time Director S/o Ganga Prasad C-11/1 DLF City Phase 1 Gurgaon, Haryana Age- 70 years	Feb 19, 2005	M.Com	Educomp Learning Private Ltd., SEI Technologies Private Ltd.
Mr. Gopal Jain Independent Director S/o Johrilal Jain 1-E, 1 st Floor, Ramalayam, 46, Peddar Road, Mumbai – 400026 Age – 34 years	August 23, 2005	B.Tech.	VIEW Advisors Pvt. Ltd. Gopal Jain Advisors Ltd.

Brief Profile of the Directors (Promoters):

Mr. Shantanu Prakash being the Promoter Director of the Company, his profile is brought out under the head 'Promoters'. Please refer to page 91 of this Red Herring Prospectus for further details.

Brief Profile of the other Directors:

Mr. Shonu Chandra, 40 years, Director, MA in Mass Communications from Mass Communication Research Centre (J.M.I.) and holds a Post Graduate Diploma (CYD) from Institute of Social Studies (The Hague, The Netherlands). At present he is Executive Producer and Director at Waves Communication Pvt. Ltd. He is with Waves Communications Pvt. Ltd for the past 17 years and has directed over a 100 video productions including documentaries, serials, corporate films and advertisements. He has worked for major International Development agencies, i.e. Plan, UNICEF, WHO, USAID, AUSAID, CEDPA, CARE, CASP, DRF, etc. and various Ministries of the Government of India. He has designed and implemented the 'Children Have Something To Say' project for Plan India which won the coveted 'One World Special Achievement Award' 2003. He is also a guest Faculty at Brown University (Providence, USA), Wigan & Leigh, Mass Communication Research Centre (N. Delhi)

Mr. Sankalp Srivastava, 40 years, Director, B.E. (Electronics & Communication Engineering) / University of Roorkee is founder of Mark & Space, which, is engaged in design, development and the manufacture of micro-processor based telecom, power control and energy management systems. He has been involved in the design & development of India's indigenous digital telephone exchange at C-DoT. He also led the development of business management software product suite at Cube Software and the development of a series of embedded telecom products at Mark & Space.

Mr. Jagdish Prakash, 70 years, Director, M.Com from Agra University, 1956. He has worked as chief material manager with Steel Authority of India. He had been Marketing & Management Consultant with PSUs and academic institutions. At present he is responsible for ware-house management and operational matters.

Mr. Gopal Jain, 34 years, Director, B. Tech (IIT Delhi). He is the Managing Director of Gaja Capital Partners, a private equity firm. He was the Managing Director, India of View Group, a venture capital firm focused on US-India corridor. He is also a charter member of TiE – a global body of entrepreneurs of Indian origin.

Borrowing Powers of the Board

Subject to the provisions of Section 58A and 293 of the Act, the Board of Directors shall have the power, from time to time and at their discretion to borrow, raise or to secure the payment of any sum of money for the purpose of the Company in such manner and upon terms and condition in all respects as they think fit and in particular by the issue of debentures or bonds of the Company or by mortgage charged upon all or any of the properties of the Company both present and future including its uncalled capital for the time being.

Compensation of Our Directors**Mr. Shantanu Prakash, Managing Director**

The shareholders in the Extraordinary General meeting held on September 20, 2004, approved the terms of appointment of Shantanu Prakash as Managing Director on the following terms:

Basic Salary – Rs. 1,35,000 per Month

Allowances / perquisites – In addition, he is entitled to allowances as follows:-

Category “A”

1. House Rent Allowance (HRA) – Either HRA will be provided to the extent of 65% of basic salary or Director will be provided rent – free accommodation.
2. Medical Reimbursement – Expenditure on self and family within a limit of Rs. 1250/- per month.
3. Allowance on purchase of Books / Journal /Periodicals: Such expenditure for furtherance of academic or professional knowledge and research for furtherance of company's business subject to maximum of Rs 3200 / per month
4. Transport Allowance – To be paid for to &from residence to office @ 800 per month.
5. Leave Travel Allowance- Not exceeding Rs. 15,000 per Month.

Category “B”

1. Gratuity: not exceeding on half month's salary for each completed year of service

2. Ex-gratia / Bonus: As per rules of the Company not exceeding 20% of the salary
3. Superannuation Fund: Superannuation or annuity funds benefit in accordance with any such scheme adopted by the Company

Category “C”

1. Motor Car: Use of chauffeur driven car owned by the Company, monetary value of which will be computed as per the Income Tax Rules, 1962.
2. Telephone and Computer: Free telephone including mobile telephone, Internet and computer facility at residence.
3. Helper / Assistant: Reimbursement of expenses on hiring a helper / assistant to assist in discharging his duties subject to a maximum of Rs 7000 /- per month

Other Terms

1. Earned Leave: On full pay and allowances not exceeding one month's leave for every completed 11 months' service and leave accumulated but not availed to be encashed as per company's rule.
2. Reimbursement of expense: Reimbursement of traveling, entertainment and other expenses incurred by him during the course of business of the Company
3. Sitting Fee: He will be entitled for sitting fee for attending the meetings of the board or any committee thereof as per the rates decided by the Company from time to time and as per the decision of the Board in this behalf

Mr. Jagdish Prakash, Whole-time Director

Basic Salary: Rs 25000 /- per month

Increment: As the Board may decide from time to time, annually or otherwise

Perquisites: In addition to the salary and commission following perquisites / allowance will be available.

1. Gratuity: not exceeding on half month's salary for each completed year of service.
2. Superannuation Fund: Superannuation or annuity funds benefit in accordance with any such scheme adopted by the Company
3. Motor Car: Use of chauffeur driven car owned by the Company, monetary value of which will be computed as per the Income Tax Rules, 1962.

Sitting Fees

The Directors shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee/s thereof from the date of their appointment.

The remuneration payable to the Directors is subject to the limits as laid down in sub-section (3) of Section 309 of the Companies Act, 1956 and the overall limit of 11% of the net profits of the Company as laid down in sub-section (1) of Section 198 of the said Act or such other limits as may be specified by the prescribed authorities from time to time.

Where in any Financial year, during the currency of tenure as Director, the Company has no profits or if its profits are inadequate, the Company may pay remuneration by way of salary, perquisites, other allowances etc. to the Directors not exceeding the limits specified under, Part II, Section II of Schedule XIII to the Companies Act, 1956”.

Corporate Governance

The SEBI Guidelines in respect of Corporate Governance will be applicable to the Company immediately upon listing of their equity shares on the various stock exchanges. The Company undertakes to take the necessary steps to comply with all the requirements of the SEBI Guidelines on Corporate Governance as may be applicable to the Company upon listing of its equity shares, including broad basing its Board of Directors, and also setting up such Committees as may be necessary under the requirements of the SEBI Guidelines.

The Company has undertaken steps to comply with SEBI guidelines on Corporate Governance to the extent set forth below.

Audit Committee

An Audit Committee has been constituted as on August 2, 2005. The Audit Committee consists of Shantanu Prakash, Sankalp Shrivastav and Shonu Chandra.

Remuneration Committee

A Remuneration Committee was constituted vide Board Resolution dated July 19th 2004. The Remuneration Committee consists of non-executive directors, with the Managing Director being the executive director.

The Committee currently comprises of four members namely Mr. Shantanu Prakash, Mr. Shonu Chandra, Mr. Sankalp Srivastava and Mr. Jagdish Prakash, as its members. The Committee has been formed to decide and approve the terms and conditions for appointment of executive directors of the Company and remuneration payable to other directors and executives of the Company and other matters related thereto.

Shareholders / Investor Grievance and Share Transfer Committee

The Company is yet to constitute Shareholders / Investor Grievance and Share Transfer Committee.

Board Procedure

The Company has held Board meetings at least four times a year, with a maximum time gap of four months between any two meetings since 2000. However, the Company has not maintained any minutes of the meetings prior to 2000 and compliance cannot be determined.

Shareholding of Directors in the Company

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 details the shareholding of the Directors who hold shares either in their personal capacity or as joint holder, as at the date of this Draft Red Herring Prospectus.

Sr. No.	Name of the Directors	Number of Equity Shares
1	Mr. Shantanu Prakash	8856077
2.	Mr. Sankalp Srivatava	5000
3.	Mr. Shonu Chandra	5000
4.	Mr. Jagdish Prakash	10000
TOTAL		8876077

Interest of Directors (Other than promoter directors)

Except as stated in "Related Party Transactions" on page 110 of this Draft Red Herring Prospectus, and to the extent of shareholding in the Company, the directors do not have any other interest in the business. The directors are interested to the extent of shares allotted to them. Except to the extent of their compensation as mentioned on page 110 of this Draft Red Herring Prospectus, and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also 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 Draft Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft 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.

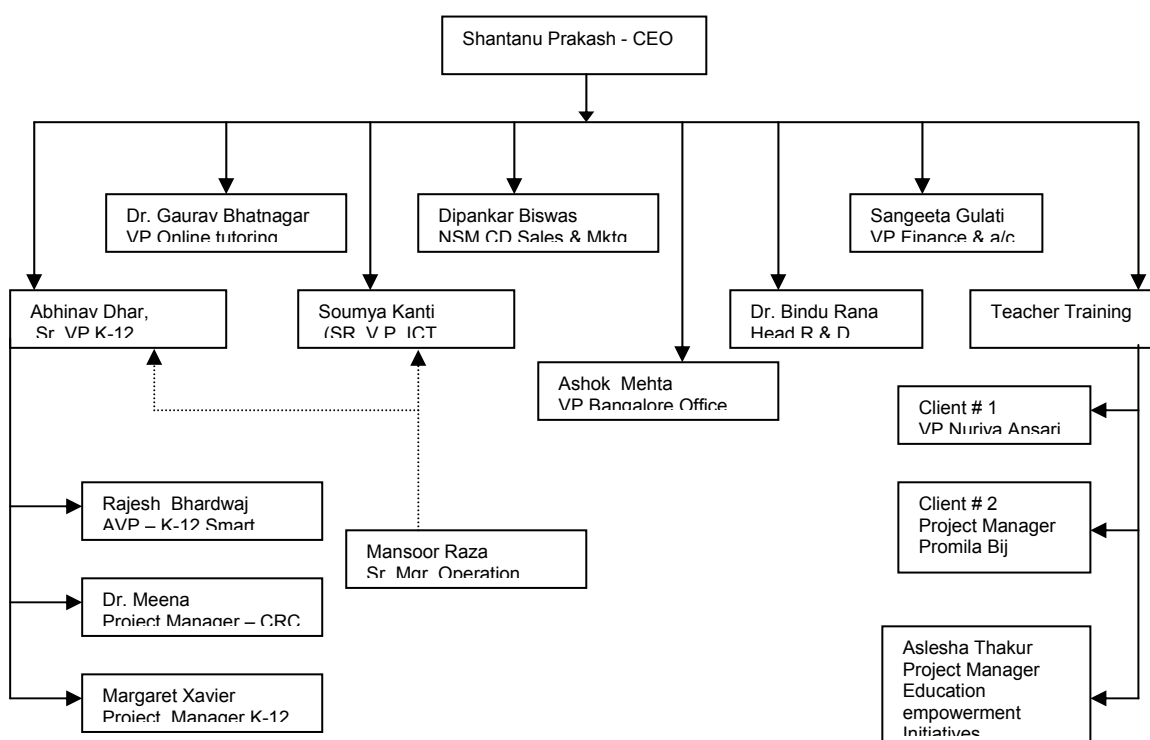
The Articles of Association provide that the Directors and officers shall be indemnified by the Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.

Changes in our Board of Directors during the last three years

The following changes have taken place in the Board of Directors of the Company during the last three years.

Name	Date of Appointment	Date of Cessation	Reason
Dr. Anjlee Prakash	Sept 7 th 1994	Sept 30 th 2003	Resignation
Mr. K. Chandrasekar	July 10 th 2000	Sept 8 th 2003	Resigned as per Agreement with Carlyle
Mr. Shonu Chandra	Sept 8 th 2003	Continuing	Appointed as Additional Director
Mr. Sankalp Srivastava	Sept 8 th 2003	Continuing	Appointed as Additional Director
Mr. Anjan Dutta	Feb 23 rd 2004	Feb 19 th 2005	Resignation
Mr. Jagdish Prakash	Feb 19 th 2005	Continuing	Appointed as Additional Director
Mr. Gopal Jain	Aug 23 rd 2005	Continuing	Appointed as Additional Director

Management Organization Structure



Changes in Auditors

Name	Address	Date of Appointment	Date of Cessation
M/s Jain & Vinay Associates Chartered Accountant	Jain Bhavan, 7575-A, Ram Nagar, (Old Baraf Khana) Quatab Road, New Delhi – 10055	September 24 th 1994	August 20 th 2000
M/s BSR & Co., Chartered Accountant	511, World Trade Centre Babar Road, New Delhi – 110001	October 2 nd 2001	September 22 nd 2003
M/s Anupam Bansal & Co., Chartered Accountant	A-1-272, Safdarjung Enclave, New Delhi 110029	November 5 th 2003 Certificate under 224 (1-B) Given	Have consistently been re-appointed in the subsequent AGMs.

Key Managerial Personnel

Details of Key Managerial Personnel are as follows:-

Mr. Abhinav Dhar – Sr .Vice President – K12, formerly Headed NIITs K12 business and Shell's IT enabled k-12 education venture in India. He has a vast experience in the domain of K-12 technology education in India and has a deep understanding of the K-12 education market landscape and its key motivational drivers. He has led some path breaking initiatives in the area of building mass level IT literacy and Technology enabled education in Government and private Schools in India

Mr. Soumya Kanti,- Sr. Vice President –Education and ICT Initiatives, Alumnus of IIM Ahmedabad. He has over 12 years experience in international & domestic markets in consulting and implementing project based IT solutions. His responsibilities include identification and management of key accounts and help design a solution based on their requirements, consulting with the government to develop an optimized e-Learning model.

Mrs. Sangeeta Gulati – Vice President – Finance & Accounts, M.Com., CA. She has over 10 years of experience in money market operations, funds raising, finance and account management. She also handles the banking and investor relation function.

Mrs. Aslesha Thakur - Head – Education Empowerment Initiative, MA. B.Ed from DWT College of Education, she has led the team for developing the Applying Thought in Schools Content, Award winning student focused teacher. She is responsible for the QuEST program of the Company.

Dr Bindu Rana, Head – Research and Development, Doctorate in Education. She has extensive experience in Special Education and over 19 years of experience in various aspects of Education.

Dr. P. G. Meena, - Head Curriculum Research Center (Content Development) Ph.D. (Meteorology), M.Sc.(Meteorology), B.Sc.(Physics). She has over 6 years in computer education service. She is responsible for managing the content development team at the research center of the Company.

Mrs. Margaret Xavier, Head K-12 Division (Content Development), MA (History). She has over 30 years of experience in the education sector. She is responsible for managing the content development of the K-12 division of the Company.

Dr. Gaurav Bhatnagar, V.P Online Tutoring ,Ph.D (Mathematics), MS (Mathematics), B.Sc (Hons in Mathematics). He has over 17 years of experience and is responsible for the online maths tutoring initiative undertaken by the Company

Mr. Mansoor Raza, Sr. Manager Operations MSc. Statistics. He has over 14 years of experience. He is responsible for implementation of ICT solutions and Smart_Class™ product of the Company.

Mr. Ashok Mehta, Vice President operations, PGDCA (Post Graduate Diploma in Computer Applications). He has over 14 years of experience. He is the administrative and operations head of the company's operations in South India. He also manages two prestigious projects that the company has with Govt. of Karnataka.

Mr. Dipankar Biswas, National Sales Manager (Retail), BA (Arts). He has over 10 years of experience in channel development and retail marketing. He is responsible for developing the market for the company's retail products. He interacts with distributors, chain stores and resellers across the country

All the key management personnel are on the payrolls of the Company as permanent employees.

Shareholding of Key Managerial Personnel

Name	Designation	No of Shares
Mrs. Sangeeta Gulati	Vice President (Finance & Accounts)	21000
Mr. Mansoor Raza	Sr. Manager Operations	245
Mr. Ashok Mehta	Vice President Operations	123

Bonus and/or profit sharing plan for the Key Managerial Personnel

There is no Profit Sharing Plan or Bonus Plan for the Key Managerial Personnel.

Changes in Key Managerial Personnel

The changes in key managerial personnel during the last three years are as follows:

Name	Date of joining	Date of Resignation	Designation	Reason
Mr. Abhinav Dhar	01/11/2002	-	VP K-12	Appointed
Mr. Soumya Kanti	01/09/2002	-	VP, ICT education training	Appointed
Dr. Bindu Rana	15/03/2004	-	Head, Research & Development	Appointed
Dr. Gaurav Bhatnagar	01/07/2004	-	V.P.- Online tutoring	Appointed

Interest of Directors and Key Managerial Personnel

Except as stated otherwise in this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Directors or Key Managerial Personnel except the normal remuneration for services rendered as directors, officers or employees.

Employee Stock Option Scheme

The Company does not have any Employee Stock Option Scheme as on date.

Payment or Benefit to Officers of the Company (non salary related)

There has been no such payment or benefit to the Officers of the Company in FY 2005.

VI. Promoters

Mr. Shantanu Prakash and Mrs. Anjlee Prakash have promoted Educomp Solutions Limited. A brief profile of the promoters is given herewith:

Mr. Shantanu Prakash



Mr. Shantanu Prakash, 40 years, Managing Director, is an alumnus from IIM, Ahmedabad. He is the founder member of Educomp Solutions Ltd. and has been responsible for the overall operations and growth since the Company's inception in September 1994.

His driving license number is P08052004390534 and Passport Number: E4233951

Dr. Anjlee Prakash



Dr. Anjlee Prakash, 43 years, holds a Ph.D. in Education. She is the founder member of Educomp Solutions Ltd. She has over 15 years of experience as an education manager, planner, trainer and curriculum developer. At present she is the CEO of Learning Links Foundation, an organization that works extensively with teachers and conducts professional development programs, which help them integrate computers in the curriculum.

Her driving license number is P08072002301949 and Passport Number: B3690637.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to NSE and BSE at the time of filing the Draft Red Herring Prospectus with them.

Relationship between the Promoters, Directors and Key Managerial Personnel

Dr. Anjlee Prakash is wife of Mr. Shantanu Prakash, and, one of the director is Mr. Shantanu Prakash's father. Except as stated otherwise, there is no relation between any promoters, Director and Key Managerial Personnel of the company.

Common Pursuits

There are no common pursuits in the business of the Company and other Companies promoted by the Promoter other than as described in the Draft Red Herring Prospectus

Interests of Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arising from their holding directorship in the company.

The Promoters are not interested in any property acquired by ESL within two years from the date of the Draft Red Herring Prospectus except as stated under the section on Business on page no 58 of this Draft Red Herring Prospectus.

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 in the Auditors Report.

Related Party Transactions

The details of related party transactions please refer to Annexure 17 of the Financial Statement on page 110.

Currency of Presentation

In this Draft Red Herring Prospectus, all references to "Rupees" and "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 Company has not paid any dividends since inception.

SECTION V FINANCIAL INFORMATION

I. Auditors' Report

The Board of Directors
Educomp Solutions Limited
(Formerly known as Educomp Datamatics Limited)
1211, Padma Tower I, 5, Rajendra Place
New Delhi- 110 008

Dear Sirs,

- A. We have examined the annexed financial information **of Educomp Solutions Limited (Formerly known as Educomp Datamatics Limited)**, ("the Company") for the five financial years ended March 31, 2001, 2002, 2003, 2004 , 2005 and quarter ended June 30, 2005 being the last date to which the accounts of the Company have been made up and audited by us. The financial information has been approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the public issue of Equity Shares in the Company (referred to as 'the issue') in accordance with the requirements of
 - i. Part II of Schedule II of the Companies Act, 1956 ("the Act")
 - ii. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 10, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
 - iii. Our terms of reference with the Company Letter dated 22nd July, 2005 requesting us to carry out work in connection with the Offer Document as aforesaid.
- B. We report that the restated assets and liabilities of the Company as at March 31, 2001, 2002, 2003, 2004 ,2005 and as at June 30 2005 are as set out in **Annexure I** to this report after making such adjustments and regrouping as in our opinion are appropriate and are subject to the Significant accounting Policies as appearing in Annexure IV and Notes to the Statements appearing in Annexure V of this report
- C. We report that the restated profits of the Company for the financial years ended March 31, 2001, 2002, 2003, 2004, and 2005 and for the Quarter ended June 30, 2005 are as set out in **Annexure II** to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Significant accounting Policies as appearing in Annexure IV and Notes to the Statements appearing in Annexure V of this report
- D. We report that the Cash Flows from restated Financial Statements of the Company for the Financial Year ended March 31, 2001, 2002, 2003, 2004, 2005 and for the Quarter ended June 30 2005 are as set out in **Annexure III** to this report after making such adjustments and regrouping as in our opinion are appropriate and are subject to the Significant accounting Policies as appearing in Annexure IV and Notes to the Statements appearing in Annexure V of this report.
- E. We have also examined the following financial information relating to the company and as approved by the Board of directors for the purpose of inclusion in the Offer Document: -
 - i. Details of Operational income as appearing in Annexure VI to this report;
 - ii. Details of Other income as appearing in Annexure VII to this report;
 - iii. Statement of dividends paid for the last five years as appearing in Annexure VIII to this report;
 - iv. Accounting Ratios as appearing in Annexure IX to this report;
 - v. Details of sundry debtors as appearing in Annexure X to this report;
 - vi. Details of loans and advances as appearing in Annexure XI to this report;
 - vii. Details of unsecured loans as appearing in Annexure XII to this report;
 - viii. Details of secured loans as appearing in Annexure XIII to this report;
 - ix. Capitalisation Statement as at 30th June 2005 and 31st March, 2005 as appearing in Annexure XIV to this report;
 - x. Statement of tax shelters as appearing in Annexure XV to this report;

- xi. Details of Related Party Transactions as appearing in Annexure XVI to this report;
- xii. Details of contingent liabilities as appearing in Annexure XVII to this report;

In our opinion the above financial information of the company as stated in Para B, C, D and E read with Significant Accounting Policies enclosed in Annexure III to this report, after making adjustments/restatements and re-grouping as considered appropriate and subject to certain matters as stated in Notes to the Accounts enclosed in Annexure IV to this report, has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and the SEBI Guidelines.

This report is intended solely for the information and for inclusion in the Prospectus in connection with the specific Initial Public Offering of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

Thanking You,

Yours Faithfully

For Anupam Bansal & Co,
Chartered Accountants
Place: New Delhi
Date:

Annexure – I Statement of Assets and Liabilities (As Restated)**(Rs. In Lacs)**

	Particular	Quarter Ended At	Financial Year Ended At				
		30.06.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
A.	Fixed Assets						
	Gross Block	2645.20	2462.05	1869.91	1426.75	933.49	476.91
	Less : Depreciation	1421.67	1303.69	886.45	513.92	236.57	59.68
	Net Block	1223.53	1158.36	983.46	912.83	696.92	417.23
	Capital Work in Progress	162.50	200.17	28.39	10.09	17.44	84.61
	Total Fixed Assets	1386.03	1358.53	1011.85	922.92	714.36	501.84
	Investments	174.21	174.21	110.35	92.09	84.21	221.91
	Misc. Expenditure (to the extent not written off)	3.12	-	-	-	-	-
		1563.36	1532.74	1122.20	1015.01	798.57	723.57
B.	Current Assets, Loans & Advances						
	Inventory	84.41	100.51	85.30	75.72	106.91	145.29
	Sundry Debtors	1739.74	1912.90	1315.43	939.33	645.70	459.88
	Cash and Bank Balances	241.09	305.59	129.73	105.60	104.68	187.06
	Other Current Assets	100.20	2.31	44.43	43.72	0.00	0.00
	Loans and Advances	267.64	197.13	124.79	71.03	88.66	88.46
		2433.08	2518.44	1699.68	1235.40	945.95	880.69
C.	Liabilities & Provisions						
	Secured Loans	513.37	437.41	292.72	134.42	88.22	0.00
	Current Liabilities and Provisions	902.14	1101.27	669.62	460.22	226.10	343.33
	Deferred Tax Provisions	160.51	172.95	152.87	95.80	0.00	0.00
		1576.02	1711.63	1115.21	690.44	314.32	343.33
D.	Net-worth (A+B-C)	2420.42	2339.55	1706.67	1559.97	1430.20	1261.11
E.	Represented by						
	Share Capital	447.34	447.34	447.34	447.34	447.34	447.34
	Reserves and Surplus	1973.08	1892.21	1259.33	1112.63	982.86	813.77
	Net Worth	2420.42	2339.55	1706.67	1559.97	1430.20	1261.11

Annexure – II Statement of Profits & Losses (as Restated)*(Rs. In Lacs)*

	Particulars	Quarter ended	Financial Year				
		30.06.2005	31.03.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
A.	INCOME						
	Operational Income	535.25	2981.87	2475.00	2071.01	1774.21	1052.12
	Other Income	9.74	229.30	126.17	7.54	38.98	63.37
B.	Total Income	544.99	3211.17	2601.17	2078.55	1813.19	1115.49
C.	EXPENDITURES						
	Cost of Goods Sold	22.79	337.35	686.45	442.92	369.41	248.25
	Staff Cost	154.69	635.10	549.07	552.59	542.65	253.18
	Administration & Other Expenses	89.49	578.70	562.55	424.59	436.64	408.94
	Selling and Distribution Expenses	10.66	94.81	43.02	69.79	55.32	37.28
	Interest & Finance Charges	15.79	54.97	38.11	30.77	21.90	4.05
	Total Expenses	293.42	1700.93	1879.20	1520.66	1425.92	951.70
	Profit Before Depreciation , Tax and Extraordinary items	251.57	1510.24	721.97	557.89	387.27	163.79
	Prior period items	5.15	5.52	0.04		4.98	
	Depreciation\Preliminary exp.	117.98	488.99	372.53	301.75	223.73	39.67
	Net Profit before tax and Extraordinary items	128.44	1015.73	349.40	256.14	158.56	124.12
	Provision for Taxation	60.00	362.77	80.29	51.00	32.50	10.25
	Provision for Deferred tax	(12.43)	20.08	80.51	29.02	0.00	0.00
	Net Profit after Extraordinary items as per audited statements	80.87	632.88	188.60	176.12	126.06	113.87
	Adjustment on account of changes in Accounting Policies as shown below:	0.00	0.00	-41.90	13.49	43.03	1.89
	Impact on Deferred Tax Liability	0.00	0.00	23.44	-6.93	0.00	0.00
	Impact on Depreciation	0.00	0.00	0.00	20.42	43.03	1.89
	Impact on Income	0.00	0.00	-65.34	0.00	0.00	0.00
	Net Profit as Restated	80.87	632.88	146.70	189.61	169.09	115.76
	Dividend on shares	0.00	0.00	0.00	0.00	0.00	0.00
	Tax on Dividend	0.00	0.00	0.00	0.00	0.00	0.00

Net Profit as Restated as per Audited Financial Statement	80.87	632.88	146.70	189.61	169.09	115.76
Add; Balance brought forward from previous year	1892.21	1259.33	1112.63	982.86	813.77	46.81
Share Premium Account	0.00	0.00	0.00	0.00	0.00	651.20
Lees: Deferred tax liability	0.00	0.00	0.00	59.84	0.00	0.00
Balance carried to Summary of Assets and Liabilities	1973.08	1892.21	1259.33	1112.63	982.86	813.77

Annexure III Statement of Cash Flows from Restated Financial Statements

(Rs in Lacs)						
Particulars (for year ended)	Quarter Ended on 30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
Cash flows from operating activities						
Net profit before taxation, and extraordinary item	128.44	1,015.72	349.40	256.14	158.56	124.12
Adjustments for:						
Depreciation	117.98	488.99	372.53	322.17	266.76	41.56
Impact on depreciation due to change in policy	-	-	-	(20.42)	(43.03)	(1.89)
Provisions for Gratuity & Leave Encashment	3.65	11.20	0.08	5.34	5.00	3.00
Foreign exchange loss	(0.20)	(0.74)	4.18	3.02	0.93	-
Interest income	(3.15)	(6.78)	(8.62)	(4.45)	(3.75)	(56.00)
Loss / (Profit) on Sale of Fixed Assets	-	0.18	-	-	-	6.00
Interest expense	13.73	35.97	24.72	22.00	18.00	-
Sundry Balances W/back	-	(71.28)	(80.77)	(2.53)	(19.92)	(7.85)
Sundry Balances W/Off	-	13.48	6.38	39.02	25.41	2.26
Operating profit before working capital changes	260.45	1,486.74	667.90	620.29	407.97	111.21
(Increase) / Decrease in sundry debtors	170.04	(610.95)	(382.48)	(332.65)	(211.22)	(385.26)
(Increase) / Decrease in inventory	16.10	(15.21)	(9.58)	31.20	38.36	(131.00)
(Increase) / Decrease in Loans & Advances	(168.40)	(30.24)	(54.46)	(26.09)	(0.20)	(70.00)
Increase / (Decrease) in Provisions	-	9.03	2.32	-	-	-
Increase / (Decrease) in Current Liabilities	(252.41)	120.77	219.57	219.36	(103.08)	301.85
Cash generated from operations	25.78	960.15	443.27	512.11	131.83	(173.20)
Tax (Paid) / Refund	(10.38)	(66.29)	(77.42)	(39.04)	(31.95)	(23.72)
Cash flow before extraordinary items	15.40	893.86	365.85	473.07	99.88	(196.92)
Foreign exchange loss	0.20	0.74	(4.18)	(3.02)	(0.93)	-
Net cash from operating activities	15.60	894.60	361.67	470.05	98.94	(196.92)
Cash flows from investing activities						
Purchase of fixed assets	(145.48)	(1,063.82)	(575.98)	(495.68)	(404.00)	(518.90)
Sale of fixed assets	-	293.44	114.52	5.79	11.00	-
Purchase of Investments	-	(63.86)	(18.26)	(7.88)	137.70	(228.00)
Interest received	3.15	6.78	8.62	4.45	3.75	56.00
Net cash from investing activities	(142.33)	(827.46)	(471.10)	(493.32)	(251.55)	(690.90)
Cash flows from financing activities						
Proceeds from issuance of share capital	-	-	-	-	-	1,065.00
Repayment) / Proceeds of long-term borrowings	75.96	144.69	158.29	46.21	88.22	(8.00)
Interest paid	(13.73)	(35.97)	(24.72)	(22.00)	(18.00)	-
Net cash used in financing activities	62.23	108.72	133.57	24.21	70.22	1,057.00
Net increase in cash and cash equivalents	(64.50)	175.86	24.13	0.93	(82.39)	169.18
Cash and cash equivalents at beginning of period	305.59	129.73	105.60	104.67	187.06	17.88
Cash and cash equivalents at end of period	241.09	305.59	129.73	105.60	104.67	187.06

Annexure – IV Significant Accounting Policies

1. Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) in India and comply with the accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company

a. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between the actual result and the estimates re- recognised in the period in which the results are known/ materialised.

b. Revenue recognition

- i. Sale of education products and technology equipments: Revenue from sale of education products, educational toys and technology equipment is recognised on their delivery to the customer
- ii. .Sale of software: Revenue from sale of the software is recognized on completion of milestone/ installation of the software. Revenue from sale of the packaged software product is recognized on delivery of the product to the customer.
- iii. Education and other services Revenue from ICT projects & Smart class projects is recognised rateably over the period of the contract. Revenue from training services is recognised after the training services have been rendered to the customer. Revenue from online educational services is recognised upon actual usage on a proportionate completion basis.
- iv. Registration fees: Revenue from registration is recognized at the time of registration of business partners / users.
- v. Interest/ income: Interest on fixed deposits is recognized using the time proportion method, based on interest rates implicit in the transaction.

c. Expenditure

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

2. Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year-end, are disclosed as capital work in progress.

3. Depreciation

a. Tangible Assets

Depreciation on tangible fixed assets is provided at the written down value of assets at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Depreciation/amortization on the Leasehold improvements / ICT & Smart_Class™ projects is provided on the straight-line method over the period of lease / period of agreement.

b. Intangible Assets

Amortization on the Intangible assets is provided on the straight-line method based on management's estimate of useful lives, which are as follows:

Particular	Life (in years)
Software	3
Knowledge-based content/ Smart class software	4

Depreciation is charged on pro-rata basis for assets purchased/ sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

In the opinion of the management, rates adopted for providing depreciation on fixed assets are representative of their economic useful life.

4. Leases

Lease payments under an operating lease are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

5. Inventories

Items of Inventories are measured at lower of cost and net realisable value. Cost of inventories comprises of all cost of purchase, & cost incurred like freight and other expenses incurred in bringing the inventories to their present location and condition and is determined using the weighted average method.

6. Investments

Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, in the value of such investments.

7. Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year, other than those relating to fixed assets, are recognised in the profit and loss account. Foreign currency assets and liabilities are translated at the year-end rates and resultant gains/ losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account. Gains/ losses on settlement and translation of foreign currency liabilities incurred to acquire fixed assets are included in the carrying cost of such assets.

8. Employee retirement benefits

Contributions to provident fund are deposited with the appropriate authorities and charged to the profit and loss account. Provision for gratuity is made on the basis of the actuarial valuation. Liability for leave encashment is provided in accordance with the rules of the Company on the basis of unavailed leave as at the year-end.

9. Borrowing cost

Borrowing cost to the extent related/attributionable to the acquisition/construction of assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with their respective fixed asset upto the date such asset is ready for use. Other Borrowing cost are charged to Profit and Loss Account

10. Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Income taxes are accrued in the same period the related revenue and expenses arise. The differences that result between the taxable profit and the profit as per the financial statements are identified and thereafter deferred tax assets or deferred tax liabilities are recorded as timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period, based on prevailing enacted regulations. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realization of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realization in future. Such assets are reviewed at each balance sheet date to reassess realisation.

11. Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year.

Annexure V Notes to statement of Assets & Liabilities and Profit & Loss Account

1. Change in Accounting Policies

The Assets & Liabilities and Profit & Loss Account of the company for the financial year ended March 31 2001, 2002, 2003, 2004, 2005 and Quarter ended June 30, 2005 have been restated after making such adjustments and regrouping as required. The underneath reasons for restatement and the notes relating to the adjustments carried out are as under:

In the financial year 2003-04, there has been a change in the method of providing depreciation on fixed assets provided on lease under ICT /Smart_ClassTM projects from Written Down Value Method to Straight Line Method as per the Provisions of Companies Act, 1956.

In view of the change in the Policy of the company, the company has written back the extra depreciation charged amounting to Rs. 65.34 Lacs in that year in respect of fixed assets provided on lease under ICT/ Smart Class projects, provided for in the previous years.

The Extra Depreciation written back in the year 2003-04 in respect of fixed assets provided on lease under ICT/ Smart Class projects in respect of following years:

(Rs. in Lacs)	
Financial Year	Depreciation Written Back
2002-03	20.42
2001-02	43.03
2000-01	1.89
	65.34

The Fixed Assets, Depreciation and the Deferred Tax Liability for these years have been restated to the extent of depreciation written back.

Year	Depreciation Higher/ (Lower) by	Deferred Tax Liability Higher / (Lower) by	Net Block Higher/ (Lower) by	Reserves Higher/ (Lower) by	Other Income Higher/ (Lower) by
2000-01	(1.89)	-	1.89	1.89	-
2001-02	(44.91)	-	44.91	44.91	-
2002-03	(65.34)	23.44	65.34	41.90	-
2003-04	-	(23.44)	-	(41.90)	(65.34)

2. Deferred Tax

The year-wise restated Deferred Tax Calculations are as under:

Calculation of DTL as Restated				
	30.06.2005	31.03.2005	31.03.2004	31.03.2003
Deferred Tax Assets				
Retirement Benefits	5.67	5.67	3.45	3.60
Leave Encashment	2.13	1.92	0.70	0.67
Doubtful Debts		-	1.00	1.52
Total	7.80	7.59	5.15	5.79
Deferred Tax Liabilities				
Depreciation	168.31	180.54	158.03	101.59
Total	168.31	180.54	158.03	101.59
Net Deferred Tax Liability	160.51	172.95	152.87	95.80

The impact of such restatement has resulted into:

- a. In the FY 2004, net profit of the company has been decreased by Rs. 65.34 Lacs. Accordingly, no impact on Provision of Taxation for the year has been considered as the same have already been reduced while calculating the provision for tax.
- b. At the outset, there is no effect of restatement regarding the Deferred Tax Liability (DTL) computed as on 31.03.2004. However, the net profit for the FY 2004 has increased due to the tax impact of the change in the DTL as on 31.03.2004 vis-à-vis 31.03.2003, amounting to Rs. 8.40 Lacs.
- c. In the FY 2003, there is an increase in Deferred Tax Liability by Rs. 23.44 Lacs, out of which Rs. 6.93 Lacs pertains to tax impact calculated on restated depreciation resulting into its resultant impact on the net profit. The balance amount of Rs. 16.51 Lacs have impacted the Retained Earnings due to the adoption of the Transitional Provisions as stated in AS-22 issued by ICAI in 2003 by the company. In other words, the increase in DTL have resulted into decrease in net profit and retained earnings by the above amounts.
- d. In the FY 2002 and FY 2001, due to restatement, the net profit for the respective years has been increased by Rs. 43.03 Lacs and Rs. 1.89 Lacs.
- e. There is no restatement with regard to the prior period items appearing in the financial statements of FY 2005 and FY 2002 as the liability for the same crystallized in the year of payment only.

3. Earnings per share

Particulars	Quarter Ended	Financial Year Ended				
	30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
Net profit as per profit and loss account for computation of EPS (Rs. in Lacs)	80.87	632.88	146.70	189.61	169.09	115.76
Weighted average number of equity shares outstanding during the period	4,473,381	4,473,381	4,473,381	4,473,381	4,473,381	4,473,381
Weighted average number of equity shares outstanding for computation of EPS	4,473,381	4,473,381	4,473,381	4,473,381	4,473,381	4,473,381
Basic earning per share of face value of Rs. 10 (Rs.)	1.81	14.15	3.28	4.24	3.78	2.59

Note: EPS has been calculated on quarterly profits, considering full capital base. The company has a seasonality cycle for booking of revenue, which is as follows:

Quarter I amounts to approximate 10 to 12% of the total revenue, Quarter II amounts to approximate 18 to 20%. Quarter III amounts to approximate 25 to 30% and Quarter IV amounts to approximate 38- 47%.

4. Segmental Information

The company has identified four business segments as its primary segment. The company has no geographical segments as reportable secondary segments.

Revenue and expenses directly attributable to segments are reported under each segment. All other expenses, which are not attributable or allocable to segments, have been disclosed as un-allocable expenses

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as un-allocable.

(Rs in Lacs)

Business Segments for the year ended 31st March 2005					
	Educational Services			Others	Total
	Professional Development	Smart Class	ICT Solutions		
Revenue	1,033.71	294.88	1,326.02	455.72	3,110.33
	809.04	89.22	1,448.87	198.08	2,545.21
Expenses	359.52	232.13	1,000.10	340.78	1,932.53
	307.64	146.02	1,071.59	337.99	1,863.24
Results	674.19	62.75	325.92	114.94	1,177.80
	501.40	-56.80	377.28	-139.91	681.97
Less: Unallocable Expenditure					262.92
					388.53
Add: Other Income					100.85
					55.96
Operating profit					1,015.73
					349.40
Profit Before Tax					1,015.73
					349.40
Less: Tax Expense					
- Current					362.77
					80.51
- Deferred					20.08
					80.29
Profit After Tax before impact of change in accounting Policy					632.88
					188.60
Less: Impact of change in accounting Policy					-
					41.90
Profit After Tax Restated					632.88
					146.70

Note: Previous year's figures are italicised and given in brackets.

(Rs in Lacs)		
As at	31.03.2005	31.03.2004
Segment Assets		
Professional Development	625.76	29.77
ICT Solutions	1,727.74	1,014.22
Smart Class	194.49	133.43
Others	314.91	228.30
	2,862.90	1,668.72
Unallocated assets	1,188.28	1,153.16
Total Assets	4,051.18	2,821.88
Segment Liabilities		
Professional Development	22.44	21.25
ICT Solutions	271.72	61.79
Smart Class	124.76	66.72
Others	0.08	48.32
	419.00	198.08
Unallocated liabilities	1292.63	917.13
Total Liabilities	1,711.63	1115.21
Capital Expenditure	1,063.82	575.98
Depreciation		
Professional Development	-	-
ICT Solutions	161.95	110.52
Smart class	67.64	65.39
Others	-	27.78
	229.59	203.69
Unallocated depreciation	259.40	168.84
Total Depreciation	488.99	372.53

(Rs. In Lacs)					
Business Segments (for Quarter ended 30 th June 2005)					
	Educational Services			Others	
	Professional Development	Smart Class	ICT Solutions		Total
Revenue	218.27	87.98	203.20	29.21	538.66
Expenses	72.61	56.75	147.97	29.21	300.37
Results	145.66	31.23	55.23	6.17	238.29
	-	-	-	-	-
Less: Unallocable Expenditure					116.18
Add: Other Income					6.33

Operating profit					128.44
Profit Before Tax					128.44
Less: Tax Expense					
-Current					60.00
-Deferred					(12.43)
Profit After Tax before impact of change in accounting Policy					80.87
Less: Impact of change in accounting Policy					-
Profit After Tax Restated					80.87

(Rs. In Lacs)

Quarter As At	30.06.2005
Segment Assets	
Professional Development	731.96
Smart class	288.80
ICT Solutions	1,363.69
Others	272.35
	2,656.80
Unallocated assets	1,339.64
Total Assets	3,996.44
Segment Liabilities	
Professional Development	25.23
Smart class	288.81
ICT Solutions	208.60
Others	29.05
	551.69
Unallocated liabilities	1,024.33
Total Liabilities	1,576.02
Capital Expenditure	145.48
Depreciation	
Smart class	28.37
ICT Solutions	31.21
Others	-
	59.58
Unallocated depreciation	58.40
Total Depreciation	117.98

Annexure VI Details of Operational Income**(Rs in Lacs)**

Particulars	Quarter Ended on	Financial Year Ended on				
		30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002
Educational Services	506.84	2482.86	1625.77	1339.77	1053.38	482.67
Sales from Products traded by company	28.41	499.01	849.23	731.24	697.52	541.52
Sales from services not included as above	0	0	0	0	23.31	27.93
Total	535.25	2981.87	2475.00	2071.01	1774.21	1052.12

Annexure VII Details of Other Income**(Rs Lacs)**

Particulars	Quarter Ended on	Financial Year Ended on					Remarks
		30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	
Interest income	3.15	6.78	8.62	4.44	43.75	11.52	Recurring
Dividend Income	-	-	-	-	-	43.99	Non-Recurring
lease & hire charges	6.04	121.44	31.29	-	0.49	-	Recurring
Depreciation written back	-	65.47	65.34	-	-	-	Non-Recurring
Provisions no longer required, written back	-	2.79	12.53	1.25	1.25	2.63	Non-Recurring
Credit balances written back	-	3.01	2.91	1.26	18.66	5.23	Non-Recurring
Profit on sale of fixed assets/Investment	-	1.56	-	-	7.43	-	Non-Recurring
Foreign Exchange fluctuation (Net)	0.20	0.73	-	-	-	-	Non-Recurring
Miscellaneous income	0.35	27.52	5.48	0.57	7.40	-	Non-Recurring
Total	9.74	229.30	126.17	7.54	38.98	63.37	

Annexure VIII Statement of Dividends paid for the last 5 years

Period	Dividend Paid %
FY 2005	NIL
FY 2004	NIL
FY 2003	NIL
FY 2002	NIL
FY 2001	NIL

Annexure IX Mandatory Accounting Ratios

Annexure IX Mandatory Accounting Ratios						
Particulars	Quarter Ended	Financial Year ended				
	30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
EPS (Rs.) (after Extra Ordinary Items)	1.81	14.15	3.28	4.24	3.78	2.59
Return on Net Worth (%)	3.40%	31.28%	8.98%	12.68%	12.57%	18.36%
Net Asset Value per share (Rs.)	54.11	52.30	38.15	34.87	31.97	28.19

Note: 1. Return on Net Worth as on 30.06.2005 has been computed on Profit of the Quarter. The quarter results are seasonal in nature, which are as follows:

Quarter I amounts to approximate 10 to 12% of the total revenue, Quarter II amounts to approximate 18 to 20%. Quarter III amounts to approximate 25 to 30% and Quarter IV amounts to approximate 47%.

Notes: 2.

- a. **Earnings per share** (after extra ordinary items) = Adjusted Net Profit after Tax and extra ordinary items / No. of Shares.
- b. **Return on Net Worth (%)** = Adjusted profit after Tax and extra ordinary items / Average adjusted Net Worth.
- c. **Net Asset value per share** = Adjusted Net Worth / No. of shares outstanding at the year end.
- d. **Net Worth** = Share Capital + Reserves & Surplus (excluding revaluation reserves) - Miscellaneous expenditure to the extent not written off.
- e. **Average adjusted Net Worth** = (Adjusted Net Worth at the beginning of the year + Adjusted Net Worth at the end of the year) / 2

Annexure X Statement of Sundry Debtors

a. Age-wise Analysis of Sundry Debtors

(Rs. in lacs)

Particular	Quarter Ended At	Financial Year Ended At				
		30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002
Upto 180 days	1046.63	1579.07	1145.87	849.03	569.54	437.76
Greater than 180 days	694.56	335.28	171.01	94.54	79.63	23.95
Less: Considered Doubtful	1.45	1.45	1.45	4.24	3.47	1.83
Considered Good	693.11	333.83	169.56	90.30	76.16	22.12
Total	1739.74	1912.90	1315.43	939.33	645.70	459.88

b. Details of the Related Party Debtors

(Rs in lacs)

Particular	Quarter Ended At	(RS in lacs)				
		Financial Year Ended At				
	30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
Learning Links foundation	545.78	495.88	255.42	-	-	-
Learning Leadership Foundation	53.97	142.86	-	-	-	-
SEI Technology Pvt. Ltd.	2.68	2.68	-	-	-	-
Lakshya Digital Pvt. Ltd.	3.08	3.08	-	-	-	-
Edumatics Corporation	NIL	Nil	9.77	52.43	-	-
Total	605.51	644.50	265.29	52.43	-	-

Annexure XI Details of Loans and Advances

(Rs. In lacs)

Particulars	Quarter Ended At	Financial Year Ended At				
		30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002
Prepaid Expenses	5.87	5.09	3.84	0.81	0.89	0.73
Advance To Parties	45.89	17.30	37.35	6.34	13.65	40.13
Staff Loan & Advances	24.58	12.90	10.25	5.90	4.96	3.54
Karnataka Sales Tax	61.69					

Collected/Advance Tax		54.18	-	0.92	-	-
Security Deposits	122.36	107.66	61.08	57.06	64.63	41.28
Others	7.25	-	12.27	-	4.52	-
Total	267.64	197.13	124.79	71.03	88.66	88.46

There are no loans and advances to related parties.

Annexure – XII

Details of Secured Loans outstanding as on July 31, 2005

(Rs. In Lacs)

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Outstanding as on July 31 2005	Rate of Interest P.A (%)	Repayment of Terms	Securities Offered
Mid Term Loan	State Bank of Patiala,	Term Loan	70	47.93	12.60% p.a	In 6 half-yearly installments of Rs. 0.12 crores plus interest w.e.f September 2004. Interest for moratorium period shall be recovered at monthly intervals as & when applied.	Equitable mortgage of institutional plot measuring 1046.3 square meters at 514, Udyog Vihar III, Gurgaon (where proposed office complex shall be constructed) and office building to be constructed thereupon.
Loan facility	Unitel Credit Private Limited	Loan facility	80	70.26	Interest rate @ 5.99 % p.a. calculated on flat basis.	Monthly installments in advance	Exclusive first charge on all the assets financed and/or to be financed by Intec Securities Limited and/or Unitel Credit (P) Ltd. in the past, present and future.
Rental & Financing Agreement	Hewlett-Packard Financial Services (India) Private Ltd.	Rental & Financing	154.35	111.74	Rs 32.03 per month per 1000	EMI 4, 94,383 for 36 months	Charge on 900 Personal Computer
Equipment Loan Facility	ICICI Bank	Loan facility	51.47	3.64	Interest rate @14.50 % (reducing daily).	Company does not have the copy the agreement. However sanction letter of ICICI is available.	
Equipment Loan Facility	ICICI Bank	Loan facility	66.93	48.53	Interest rate @9.86 %	Monthly Installment (EMI) of Rs. 215,527	Charge on PC 269 Wipro, Printer 300 PC, Printer 500 PC, UPS 500 PC

Equipment Loan Facility	ICICI Bank	Loan facility	16.79	10.19	Interest rate @9.86 %	Monthly Installment (EMI) of Rs. 77,378.	Charge on PC 7 pieces assembled, CPU 66 pieces assembled, Projector 10 pieces NEC
Equipment Loan Facility	ICICI Bank	Loan facility	56.66	49.86	Interest rate @10 %	24 EMI of Rs. 26,14, 61.	Charge on PC 330 pieces PCS, UPS 23 Pieces Aura, UPS 46 Pieces Wipro, Printer 50 Pieces Wipro, Monitor 285 Pieces Samsung.

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Outstanding as on July 31 2005	Rate of Interest P.A (%)	Securities Offered
Working Capital Facility	State Bank of Patiala, Parliament Street	Cash Credit (CC) (Hypothecation)	200	177.50	CC - 1.60% above BPLR i.e. 12.10% p.a. (Floating)	CC – Hypothecation of stocks of all kinds & receivables. (First exclusive charge over entire current assets of the company to be got noted with ROC)
Non Fund Facility	State Bank of Patiala, Parliament Street	Bank Guarantee & Letter of Credit	40 + 15	BG 157.51 LC 34.30	3.25% Above STPLR subject to change from time to time	Hypothecation of Stock of books, CD's, Educational software's, receivables etc.
Non Fund Facility		Bank Guarantee	75		3.25% Above STPLR subject to change from time to time	Deposit of Title deeds relating to the immovable property of the Company at Industrial Plot No. 514, Phase III, Udyog Vihar, Gurgaon
Non Fund Facility		One-time ad hoc Bank Guarantee	73		3.25% Above STPLR subject to change from time to time	Letter evidencing deposit of requisite title deeds to create extension of charge by equitable mortgage.

Note: The company has also received sanction letter from SBOP towards sanctioning of Term Loan Facility of Rs. 500 Lacs and Non-fund Facility of Rs. 300 lacs vide letter no. 29.01.05 dated . However, the company has not availed the facility till date.

Annexure XIII Capitalisation Statement

(Rs. in lacs)

Particular	Quarter Ended At	Financial Year Ended At	
	Pre-offer as at 30/06/2005	Pre-offer as at 31/03/2005	After the offer
Borrowings			
Short term Debt	136.87	161.50	(.)
Long Term Debt	376.50	275.91	(.)
Total Debt	513.37	437.41	(.)
Shareholders' Funds			
Share Capital	447.34	447.34	(.)

Reserves	1973.08	1892.21	(.)
Total Shareholders funds	2420.42	2339.55	(.)
Long term debt / Equity Ratio	0.21	0.19	(.)

Annexure XIV Tax Shelter Statement

Particular	Quarter Ended on	Financial Year Ended At				
	30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
Profit or Loss before tax as per audited accounts	133.59	1021.24	349.40	256.14	163.54	124.12
Tax Rate	33.66%	36.59%	35.88%	36.75%	35.70%	35.70%
Tax at Notional Rate (A)	44.97	373.67	125.36	94.13	58.38	44.31
Adjustments:						
Export Profits		-	-	-	-	-
Differences between Tax Depreciation and Book Depreciation	(36.32)	31.86	48.09	149.76	85.69	102.89
Other Adjustments	(7.68)	54.72	81.87	(7.37)	(7.83)	24.35
Net Adjustments	(44.00)	86.58	129.96	142.39	77.86	127.24
Tax saving thereon (B)	(14.81)	31.68	46.63	52.33	27.80	45.42
Total taxation (A-B)	59.78	341.99	78.74	41.80	30.59	(1.11)
Taxation on extra-ordinary items	0.00	0.00	0.00	(0.00)	0.00	0.00
Tax on Profits before extra-ordinary items	59.78	341.99	78.74	41.80	30.59	(1.11)

Annexure XV Details of Related Party Transactions

The Company has entered into the following related party transactions. As on Quarter ended at 30th June 2005 and Financial Year ended at 31st March, 2005, 2004 and 2003 such parties and transactions are identified as per Accounting Standard 18 issued by Institute of Chartered Accountants of India:

Transaction during the period April 2005 to June 2005

(Rs in lacs)

	Subsidiary	Associate	Others		Key Management Personnel	Total
Transactions	Educomp Learning P. Ltd.	SEI Technology P. Ltd.	Learning Leadership Foundation.	Learning Link Foundation.	Shantanu Prakash	
Sales & related Income	-	-	59.15	140.55	-	199.70
Other Income	0.30	-	0.30	0.30	-	0.90
Remuneration	-	-	-	-	7.05	7.05

Transaction during the period April 2004 to March 2005**(Rs in lacs)**

	Subsidiary			Associates		Others		Key Management Personnel	
Transactions	Wheatstone Production P. Ltd.	Edumatics Corporation	Educomp Learning P. Ltd.	Lakshya Digital P. Ltd.	SEI Technology P. Ltd.	Learning Leadership Foundation	Learning Link Foundation	Shantanu Prakash	Total
Sales & related Income	-	-	-	3.01	-	216.97	812.51	-	1032.49
Other Income	-	-	-	-	4.33	-	-	-	4.33
Purchase of goods	-	-	-	0.07	47.11	-	-	-	47.17
Advances given	-	-	-	-	-	0.40	1.08	-	1.48
Debtors / Advances written off	1.38	10.51	-	-	-	-	-	-	11.89
Assets purchased	-	-	309.50	-	-	-	-	-	309.50
Assets sold	-	-	31.34	-	-	-	-	-	31.34
Remuneration	-	-	-	-	-	-	-	25.59	25.59

Transaction during the period April 2003 to March 2004**(Rs in lacs)**

	Others	Key Management Personnel		
A. Transactions	Learning Links Found.	Anjee Prakash	Shantanu Prakash	Total
Sales & related Income	294.92	-	-	294.92
Other Income	0.60	-	-	0.60
Remuneration	-	7.89	14.22	22.11

Transaction during the period April 2002 to March 2003**(Rs in lacs)**

	Subsidiary		Others	Key Management Personnel		
A. Transactions	Wheatstone production P. Ltd.	Edumatics Corporation	Learning Links Foundation	Anjee Prakash	Shantanu Prakash	Total
Sales & related Income	-	86.51	-	-	-	86.51
Purchase of goods	7.54	-	-	-	-	7.54
Advances given	0.88	-	-	-	-	0.88
Remuneration	-	-	-	14.86	14.22	29.08

Annexure XVI Details of Contingent Liabilities**(Rs in lacs)**

As at	Quarter Ended At	Financial Year Ended At				
	30.6.05	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
Claims against the company not acknowledged as Debts	20.22	20.22	20.22	20.22	20.22	20.22
Guarantees given by banks on behalf of company	156.51	134.51	126.04	22.16	13.51	12.01
Corporate Guarantee given to third party	1700.00					
Total	1876.73	154.73	146.25	42.38	33.73	32.23

Consolidated Financials of Educomp Solutions Limited

Auditors' Report

The Board of Directors
Educomp Solutions Limited
(Formerly known as Educomp Datamatics Limited)
1211, Padma Tower-1, 5, Rajendra Place
New Delhi

Dear Sirs,

As required by Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992, we have examined the financial information contained in the statements annexed to this report, which is proposed to be included in the Offer Document for the proposed public issue of Educomp Solutions Limited (formerly known as Educomp Datamatics Limited) ('the Company') and we report that:

- A. We. have examined the 'Statement of Profits & Losses' of Edumatics Corporation, a wholly-owned subsidiary of the Company, for the financial years ended 31st March 2002, 2003, 2004, 2005 and the quarter ended 30th June 2005, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31st March, 2003, 2004, 2005 and the quarter ended 30th June 2005 and the 'Statement of Significant Accounting Policies and Notes to Accounts' as enclosed in Annexure I to III and confirm that these statements reflect the profits and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said subsidiary for the relevant periods, audited by another firm of Chartered Accountants.
- B. We. have examined the 'Statement of Profits & Losses' of Wheatstone Productions Pvt Limited, a subsidiary of the Company, for the financial years ended 31st March, 2001, 2002, 2003, 2004, 2005 and the quarter ended 30th June 2005, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31st March, 2001, 2002, 2003, 2004, 2005 and the quarter ended 30th June 2005, and the 'Statement of Significant Accounting Policies and Notes to Accounts' as enclosed in Annexure IV to VI and confirm that these statements reflect the profits and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said subsidiary for the relevant periods, audited by another firm of Chartered Accountants.
- C. We have examined the 'Statement of Profits & Losses' of Educomp Learning Solutions Private Limited, a subsidiary of the Company, for the financial years ended 31st March, 2004, 2005 and the quarter ended 30th June 2005, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31st March, 2004, 2005 and the quarter ended 30th June 2005, and the 'Statement of Significant Accounting Policies and Notes to Accounts' as enclosed in Annexure VII to IX and confirm that these statements reflect the profits and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said subsidiary for the relevant periods, audited by another firm of Chartered Accountants.
- D. We have examined the 'Statement of Consolidated Profit & losses as Restated' of the Company, its subsidiaries for each of the financial years ended 31st March, 2003, 2004, 2005 and the quarter ended 30th June 2005, the 'Statement of Consolidated Assets and Liabilities as Restated' of the Group as at 31st March, 2003, 2004, 2005 and the quarter ended 30th June 2005, the 'Consolidated Cash Flow Statement' of the Group for the financial years ended 31st March, 2003, 2004, 2005 and the quarter ended 30th June 2005 'Significant Accounting Policies' and Notes to the Consolidated Accounts', adopted by the Group for each of the said periods enclosed in Annexure X to XIV and report that:
 - i. These statements reflect the profits, assets and liabilities and cash flows of the group for each of the relevant periods as extracted from the Consolidated Profit and Loss Accounts for the financial years ended 31st March, 2003, 2004, 2005 and the quarter ended 30th June 2005, the Consolidated Balance Sheets as at 31st March, 2003, 2004, 2005 and the quarter ended 30th

June 2005 and the Consolidated Cash Flow Statements for the financial years ended 31st March, 2003, 2004, 2005 and the quarter ended 30th June 2005 audited by us for the limited purpose of inclusion in the Offer Document, after making therein the adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the DIP Guidelines and such regroupings as we considered necessary. These statements include amounts relating to above-mentioned Subsidiaries, which have been consolidated on the basis of accounts audited by other firms of Chartered Accountants.

- ii. The above financial statements have been drawn up by the Company in compliance with the Guidelines and in accordance with the requirement of clause B of Part II of Schedule II of the Companies Act, 1956 as amended from time to time.
- E. We have also examined the following financial information relating to the Group and as approved by the Board of directors for the purpose of inclusion in the Offer Document: -
 - i. Details of Operational income as appearing in Annexure XV to this report;
 - ii. Details of Other income as appearing in Annexure XVI to this report;
 - iii. Statement of dividends paid for the last five years as appearing in Annexure XVII to this report;
 - iv. Mandatory Accounting Ratios as appearing in Annexure XVIII to this report;
 - v. Details of sundry debtors as appearing in Annexure XIX to this report;
 - vi. Details of loans and advances as appearing in Annexure XX to this report;
 - vii. Details of unsecured loans as appearing in Annexure XXI to this report;
 - viii. Details of secured loans as appearing in Annexure XXII to this report;
 - ix. Capitalisation Statement as at 31st March, 2005 and 30th June 2005 as appearing in Annexure XXIII to this report;
 - x. Statement of tax shelters as appearing in Annexure XXIV to this report;
 - xi. Details of Related Party Transactions as appearing in Annexure XXV to this report;
 - xii. Details of contingent liabilities as appearing in Annexure XXVI to this report;

This report is intended solely for your information for inclusion in the Offer Document and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For Anupam Bansal & Co.
Chartered Accountants

Anupam Bansal
Membership No. 87699

Place: Delhi
Date: 23/08/2005

EDUMATICS CORPORATION, USA**Annexure I Statement of Profit & Losses (As Restated)****(Rs. In Lacs)**

Particulars	Quarter Ended	For the year ended				
		30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002
<u>INCOME</u>						
Operational Income	0.00	0.00	103.49	109.16	0.59	
Other Income	0.00	36.97	0.00	0.00	0.00	
Total Income	0.00	36.97	103.49	109.16	0.59	
<u>EXPENDITURES</u>						
Staff Cost	6.67	0.00	19.77	38.89	43.25	
Administration Expenses	4.37	2.23	46.98	89.54	67.00	
Total Expenses	11.04	2.23	66.75	128.43	110.25	
Profit Before Interest, Depreciation and Income Tax	(11.04)	34.74	36.73	(19.28)	(109.66)	
Interest	0.00	0.00	0.00	0.00	0.51	
Depreciation\Preliminary exp.	0.00	0.00	0.56	2.34	2.26	
Net Profit before tax	(11.04)	34.74	36.17	(21.62)	(112.43)	
Provision for Tax	0.00	0.00	0.00	0.00	0.00	
Net Profit after tax	(11.04)	34.74	36.17	(21.62)	(112.43)	

Annexure II Statement of Assets & Liabilities (as Restated)

(Rs. In Lacs)

		Quarter Ended At	Financial Year Ended At			
	Particulars	30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002
A.	<u>Fixed Assets :</u>					
	Gross Block	-	-	-	8.83	9.14
	Less : Depreciation	-	-	-	3.83	2.05
	Net Block	-	-	-	5.00	7.09
	Total Fixed Assets	-	-	-	5.00	7.09
	Investments					
B.	<u>Current Assets, Loans & Advances</u>					
	Sundry Debtors	-	-	-	20.94	-
	Cash and Bank Balances	0.25	0.25	2.44	5.05	1.54
	Other Current Assets	1.28	1.29	1.28	1.39	1.91
	Loans and Advances				1.79	2.36
	Total Current Assets	1.53	1.54	3.72	29.17	5.81
C.	<u>Liabilities & Provisions</u>					
	Current Liabilities and Provisions	12.56	1.58	38.41	109.39	76.59
	Deferred Tax Provisions					
	Total	12.56	1.58	38.41	109.39	76.59
D.	Networth	(11.03)	(0.04)	(34.69)	(75.22)	(63.69)
E.	<u>Represented by</u>					
	Share Capital	53.56	54.08	53.78	58.29	29.87
	Share Application Money	-	-	-	-	22.53
	Reserves and Surplus	(64.59)	(54.12)	(88.47)	(133.51)	(116.09)
	Reserves (Net of Revaluation Reserves)	(64.59)	(54.12)	(88.47)	(133.51)	(116.09)
	Net Worth	(11.03)	(0.04)	(34.69)	(75.22)	(63.69)

Annexure III Significant Accounting Policies and Notes to Accounts

1. Significant Accounting Policies

A. Nature of Business

- i. Edumatics Corporation provides technology and services in the space of e-learning to academic organizations, corporate learning initiatives, government organizations and businesses that address the e-learning industry.
- ii. The technology offered by the company includes tools for management of content, authoring, assessment and performance support.
- iii. The company was formed on October 16, 2000 in Maryland and is a wholly owned subsidiary of Educomp Datamatics Private Limited, an Indian company.

B. Method of Accounting

The company uses accrual basis of accounting for preparing its financial statements for reporting and management purposes and for recognizing income for tax purposes.

C. Cash and cash equivalents

The company considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

D. Furniture and Equipment

Furniture and equipment are depreciated as per the method prescribed under the Internal Revenue code. The method used is Modified Accelerated Cost Recovery System (MACRS).

E. Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

F. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Concentration of business risk

- i. The Company has limited operating history and its prospects are subject to risk, expenses and uncertainties that are frequently encountered by companies in emerging markets. These risks include the failure to develop and extend the Company's service brands, the rejection of the Company's services by consumers and the inability of the Company to generate sales as well as other risks and uncertainties. Failure to address these risks successfully may have a material and adverse impact on the Company's results of operations and financial position.
- ii. The Company has sustained net losses from operations since its inception. The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to establish profitable operations or raise additional finances through public or private equity financing, collaborative or other arrangements with corporate sources, or other sources of financing to fund operations. However, there can be no assurance that the Company will be able to achieve profitable operations.

2. Notes To The Accounts

A. Fixed Assets

The following is a summary of fixed assets:

(Amount in \$)

<i>Particulars</i>	Quarter Ended	Financial Year Ended			
	30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002
Computer equipment	-	-	-	12,398	12,398
Furniture	-	-	-	6,260	6,260
Total	-	-	-	18,658	18,658
Less: Accumulated depreciation & Amortization	-	-	-	(8095)	(4195)
	-	-	-	12,398	6,260

During the FY 2003-04 the company has sold all of its Fixed Assets comprising of computer equipment and furniture.

B. Related Party Payables

The company engages services of parent company, Educomp Solutions limited in India for product support for the year ended 31.03.2005 and 31.03.2004 for which the parent company was paid \$0 and \$33,000 respectively for product support services.

C. Common Stock

The Company is authorized to issue 200,000 shares of common stock having a par value of \$1.00 per share. As of March 31, 2005 an aggregate of 123,100 shares are issued and outstanding to Educomp Solutions Limited.

D. Translation of Financial Statement in Indian Rupees.

Revenue items are translated at the average rate prevailing during the year. All assets and liabilities are translated at rates prevailing at the end of the year.

E. Change in Accounting Policy

The Assets & Liabilities and Profit & Loss Account of the company for the FY 2002, 2003, 2004, 2005 and for the quarter ended at 30th June 2005 have been made. There is no element of restatement in any of the year; therefore, the same Assets & Liabilities and Profit & Loss Account of the company have been shown as restated.

There is no restatement with regard to the prior period items appearing in the financial statements for FY 2003 as the liability for the same crystallized in the year of payment only.

Accordingly, there has been no underneath reasons and adjustments involved therein.

WHEITSTONE PRODUCTIONS PRIVATE LIMITED**Annexure IV Statement of Profits & Losses (As Restated)****(Rs. In Lacs)**

Particulars	Quarter Ended	For The Financial Year Ended					
		30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
INCOME							
Operational Income	7.04	22.53	17.49	26.49	2.39	9.54	
Other Income	-	3.02	7.76	8.32	13.89	0.35	
Total Income	7.04	25.55	25.25	34.81	16.28	9.89	
EXPENDITURES							
Cost of Goods Sold	1.69	8.95	18.45	22.03	11.33	8.11	
Staff Cost	1.72	4.92	4.85	16.81	8.69	5.41	
Administration Expenses	0.45	3.69	6.39	18.42	7.13	7.16	
Selling and Distribution Expenses	-	0.03	0.62	2.91	0.65	0.33	
Interest	0.10	0.42	-	0.30	0.43	0.45	
Total Expenses	3.96	18.01	30.31	60.47	28.23	21.46	
Profit Before Interest, Depreciation and Income Tax	3.08	7.54	(5.06)	(25.66)	(11.95)	(11.57)	
Extra-ordinary items						5.43	
Depreciation\Preliminary exp.	0.70	2.09	2.69	2.35	2.64	2.30	
Net Profit before tax	2.38	5.45	(7.75)	(28.01)	(14.59)	(19.30)	
Provision for taxation	-	-	-	-	-	-	
Net Profit after tax	2.38	5.45	(7.75)	(28.01)	(14.59)	(19.30)	

Annexure V Statement of Assets & Liabilities (as Restated)**(Rs. In Lacs)**

		Quarter Ended At	Financial Year Ended At				
	Particulars	30.6.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
A.	<u>Fixed Assets :</u>						
	Gross Block	8.33	8.30	8.28	8.28	6.08	5.53
	Less : Depreciation	7.09	6.38	5.55	4.11	3.01	1.62
	Net Block	1.24	1.92	2.73	4.17	3.07	3.91
	Total Fixed Assets	1.24	1.92	2.73	4.17	3.07	3.91
B.	<u>Current Assets, Loans & Advances</u>						
	Inventory	-	-	-	1.50	0.50	0.85
	Sundry Debtors	2.16	1.15	0.09	0.09	0.09	0.09
	Cash and Bank Balances	0.43	0.27	0.36	0.68	0.20	0.26
	Other Current Assets	-	-	-	-	-	0.10
	Loans and Advances	0.98	0.98	0.97	0.96	0.96	11.96
	Total Current Assets	3.57	2.40	1.42	3.23	1.75	13.26
C.	<u>Preliminary Expenses (to the extent not written off)</u>	6.19	6.19	7.44	8.70	9.95	11.20
D.	<u>Liabilities& Provisions</u>						
	Secured Loans	0.15	0.32	-	-	-	-
	Unsecured Loans	3.93	3.88	6.46	6.35	0.46	0.46
	Current Liabilities and Provisions	29.66	31.42	35.70	32.56	9.11	8.12
	Total	33.74	35.62	42.16	38.91	9.57	8.58
E.	<u>Networth</u>	(22.74)	(25.11)	(30.57)	(22.81)	5.20	19.79
F.	<u>Represented by</u>						
	Share Capital	16.84	16.84	16.84	16.84	16.84	16.84
	Reserves and Surplus	(39.58)	(41.95)	(47.41)	(39.65)	(11.64)	2.95
	Reserves (Net of Revaluation Reserves)	(39.58)	(41.95)	(47.41)	(39.65)	(11.64)	2.95
	Net Worth	(22.74)	(25.11)	(30.57)	(22.81)	5.20	19.79

Annexure VI Significant Accounting Policies and Notes to Accounts

1. Significant accounting policies

A. Basis Of Preparation Of Financial Statements

- i. The financial statements have been prepared under the historical cost, convention on accrual basis as a going concern in accordance with the generally accepted accounting principles. Mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the companies act, 1956.
- ii. Accounting policies not specifically referred to otherwise are in consonance with generally accepted accounting principles.

B. Inventories

Inventories are valued at lower of cost or net realizable value. Cost, which comprises of expenditure incurred in the normal course of business in bringing inventories to their location and condition including relevant overheads, is calculated on the basis appropriate to the business carried on by the company.

C. Revenue Recognition

All Income and expenditure items having material bearing on the financial statements recognized on accrual basis.

D. Retirement Benefits

Companies' contributions to provident fund are charged to profit and loss A/C.

E. Fixed Assets

- i. Fixed assets are treated at WDV net of depreciation.
- ii. Depreciation on fixed assets of the company is provided on WDV method as per the rate specified in schedule XIV of the companies' act.1956.and it is followed consistently.

F. Dues To Small Scale Industrial Units:

The company has no information as to whether any of its suppliers constitutes small-scale industrial undertakings and therefore. The amount due to such suppliers has not been identified.

- G. In the opinion of the board and to the best of their knowledge and belief, the valuation on realization of current assets, loans and advances in the ordinary course of business would not be less than the amount at which they are stated in the balance sheet.

2. Notes to Accounts

Change in Accounting Policy

The Assets & Liabilities and Profit & Loss Account of the company for the financial year ended March 31 2001, 2002, 2003, 2004, and 2005 and for the quarter ended 30th June 2005 have been made. There is no element of restatement in any of the year, therefore, the same Assets & Liabilities and Profit & Loss Account of the company for the financial year ended March 31 2005 and 2004 and for the quarter ended 30th June 2005 have been shown as restated.

There is no restatement with regard to the prior period items appearing in the financial statements as on March 2001 as the liability for the same crystallized in the year of payment only.

Further, there is also no restatement in the financial statements as on March 2001, 2002, 2003, 2004, 2005 and for the quarter ended 30th June 2005 with regard to the Miscellaneous Expenditure written off every year as the same has been written off over a period of 10 years on a consistent basis.

Accordingly, there has been no underneath reasons and adjustments involved therein.

EDUCOMP LEARNING PRIVATE LIMITED**Annexure VII Statement of Profits & Losses (As Restated)****(Rs. In Lacs)**

	For Quarter Ended	For The Financial Year Ended	
Particulars	30.6.2005	31.3.2005	31.3.2004
<u>INCOME</u>			
Operational Income	25.00	309.50	-
Other Income	0	-	-
Total Income	25.00	309.50	-
<u>EXPENDITURE</u>			
Staff Cost	25.55	37.00	-
Administration Expenses	5.28	42.15	-
Total Expenses	30.83	79.15	-
Profit Before Interest, Depreciation and Income Tax	(5.83)	230.35	-
Interest	0.13	0.13	-
Depreciation\Preliminary exp.	13.86	40.56	-
Net Profit before tax	(19.82)	189.66	-
Provision for Taxation	-	40.21	-
Provision for Deferred tax	(0.18)	28.89	-
Net Profit after tax	(19.64)	120.56	-

- The company was incorporated on 06.10.2003 and the company started its operation in FY 2005.

Annexure VIII Statement of Assets and Liabilities (As Restated)**(Rs. In Lacs)**

	Quarter Ended At	Financial Year Ended At	
As at	30.06.2005	31.03.2005	31.3.2004
A. Fixed Assets :			
Gross Block	242.61	241.67	0.00
Less : Depreciation	54.42	40.56	0.00
Net Block	188.19	201.11	0.00
Capital Work In Progress	1.13	-	-
Total Fixed Assets	189.32	201.11	0.00
B. Investment	37.50	37.50	0.00
C. Current Assets, Loans & Advances			
Sundry Debtors	104.96	169.64	0.00
Cash and Bank Balances	0.49	(2.92)	10.50
Loans and Advances	91.57	45.17	0.00
Total Current Assets	197.02	211.89	10.50
D. Preliminary Expenses (To the extent not written off)	0.29	0.30	0.24
E. Liabilities & Provisions			
Unsecured Loan	29.44	10.41	0.24
Current Liabilities and Provisions	254.56	280.43	0.00
Deferred Tax Provisions	28.71	28.89	0.00
Total	312.71	319.73	0.24
F. Networth	111.42	131.07	10.50
G. Represented by			
Share Capital	10.50	10.50	10.50
Reserves and Surplus	100.92	120.56	0.00
Reserves (Net of Revaluation Reserves)	100.42	120.56	0.00
Net Worth	111.42	131.06	10.50
Capital Employed	111.42	131.06	10.50

The company was incorporated on 06.10.2003 and the company started its operation in FY 2005.

Annexure IX Significant Accounting Policies and Notes to Accounts

1. Significant Accounting Policies

A. Basis of Preparation

The Financial Statements are prepared under the historical cost convention in accordance with applicable mandatory accounting standard and relevant presentational requirement of Companies Act, 1956.

B. Fixed Assets & Depreciation

Fixed Assets have been stated at cost of acquisition less accumulated depreciation. Cost of acquisition is inclusive of all incidental expenses. Depreciation on fixed assets has been provided on written down value method as per the rates prescribed under the Companies Act, 1956.

Depreciation is charged on pro-rata basis on assets purchased/ sold during the year. Depreciation/Amortization of Software is provided on straight-line method based upon management's estimate of useful life, which is as follows:

Software - 4 Years (Life in Years)

In the opinion of the management, rates adopted for providing depreciation on fixed assets are representative of their economical useful life.

C. Revenue Recognition

Income earned and expenses incurred have been recognized on accrual basis.

D. Preliminary Expenses

Preliminary Expenses to be written off over a period of five years.

E. Capital Work in Progress

Fixed Assets under construction, Capital Advances paid towards acquisition of fixed assets are disclosed as Capital work in progress.

F. Taxation

The Provision for current tax is based on the assessable profits of the Company computed in accordance with the Income Tax Act, 1961.

G. Deferred Taxation

The provision for deferred tax has been made out of the profits earned during the year as per accounting standard issued by ICAI. Deferred tax assets and deferred tax liabilities are recorded as timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period, based on prevailing enacted regulations.

H. Contingent Liabilities

Contingent liabilities are not provided in the financial statement but shown by way of notes to accounts.

2. Notes to Accounts

A. Claims not acknowledged as Debts - Rs. NIL

Capital Commitment - Rs. 1.13 Crore towards purchase of immoveable property at Noida.

B. Pre Operative expenses are charged to the current year Profit & loss account.

C. Deferred Tax Liability

As per Accounting standard (AS-22) on Accounting for Taxes on Income issued by ICAI the deferred tax Asset as at 30th June 2005, 31st March 2005 and 31st March 2004 comprises the following:

(Rs in lacs)

As at	Quarter Ended At 30.06.2005	31.03.2005	31.03.2004
Deferred Tax Liability		NIL	NIL
- Related to fixed assets	28.81	28.99	NIL
Deferred Tax Assets			
- Provision for Leave Encashment	-0.10	-0.10	NIL
Provision for Deferred Tax (Net)	28.71	28.89	NIL

- D. No Provision for Gratuity has been made in the books of accounts as none of the employees is having service tenure of more than 5 years.
- E. Auditors Remuneration includes Statutory Audit fees of Rs. 16,530/-, Tax Audit Fees of Rs. 11,020/- and fees towards Consultancy & Company Law Matters of Rs. NIL.
- F. i. Expenditure incurred in Foreign Currency -
-NIL-
- ii. CIF value of imports -
-NIL-
- G. Requirement of clause 3 (x) of part ii of schedule vi of the companies act, 1956 in respect of expenditures incurred on employees
- i. No. of employees throughout the year who were in receipt of remuneration for the year in which the aggregate was not less than Rs. 12,00,000/- - NIL
- ii. No. of employee employed for part of the year who were in receipt of remuneration for any part of the year at the rate which in aggregate was not less than Rs.1,00,000/- - NIL
- H. The Company had no amounts payable to small-scale industrial undertaking as defined under section 3(j) of Industries (Development and Regulation) Act, 1951 as at 31st March 2005.
- I. Figures of the previous years have been regrouped/rearranged to confirm the current year's presentation.
- J. Change in Accounting Policy**
FY 2005 is the first year of operations of the company. The Assets & Liabilities and Profit & Loss Account of the company for the FY 2005, 2004 and for the quarter ended 30th June 2005 have been made. There is no element of restatement in any of the year therefore; the same Assets & Liabilities and Profit & Loss Account of the company for the FY 2005, 2004 and for the quarter ended 30th June 2005 have been shown as restated. Accordingly, there has been no underneath reasons and adjustments involved therein.

Annexure X Consolidated Statement of Assets and Liabilities (As Restated)**(Rs in Lacs)**

	Quarter Ended At	Financial Year Ended At		
As at	30.6.2005	31.3.2005	31.3.2004	31.3.2003
Goodwill	40.61	40.61	34.06	34.06
Fixed Assets :		-	-	-
Gross Block	2798.77	2,608.15	1,878.18	1,443.86
Less : Depreciation	1483.18	1,350.64	891.99	521.86
Net Block	1315.59	1,257.51	986.19	922.00
Capital Work in Progress	163.63	200.17	28.39	10.09
Total Fixed Assets	1479.22	1,457.68	1,014.58	932.09
Investments	100.00	100.00	18.26	
Current Assets, Loans & Advances				
Inventory	84.41	100.51	85.30	77.22
Sundry Debtors	1766.89	1,914.05	1,305.74	907.92
Cash and Bank Balances	242.26	303.19	132.64	111.43
Other Current Assets	101.49	3.60	45.70	45.11
Loans and Advances	360.18	243.28	124.27	72.80
Total Current Assets	2555.23	2,564.63	1,693.65	1,214.48
Liabilities & Provisions				
Secured Loans	513.53	437.73	292.72	134.42
Unsecured Loans	33.37	14.29	5.26	6.35
Current Liabilities and Provisions	1118.95	1,245.08	733.77	548.85
Deferred Tax Provisions	189.22	201.84	152.87	95.80
Difference in Exchange	5.74	5.68	5.77	1.42
Total	1860.81	1904.62	1190.39	786.84
Networth	2314.25	2258.30	1570.16	1,393.79
Represented by				
Share Capital	447.34	447.34	447.34	447.34
Reserves and Surplus	1880.77	1,816.44	1,145.25	966.33
Less: Minority Interest	4.26	(1.01)	14.98	11.18
Less: Misc. Expenditure	9.60	6.49	7.45	8.70
Reserves and Surplus	1866.91	1,810.96	1,122.82	946.45
Net Worth	2314.25	2,258.30	1,570.16	1,393.79

Annexure XI Consolidated Statement of Profit & Losses (As Restated)**(Rs in Lacs)**

	Quarter Ended	For The Financial Year Ended		
Particulars (For the year ended)	30.06.2005	31.03.2005	31.3.2004	31.3.2003
<u>INCOME</u>				
Operational Income	567.29	3,313.90	2,603.74	2,120.91
Other Income	9.44	255.76	126.17	7.55
Total Income	576.73	3,569.66	2,729.91	2,128.46
<u>EXPENDITURES</u>				
Cost of Goods Sold	24.48	346.29	704.90	457.41
Staff Cost	189.38	678.40	573.78	609.48
Administration Expenses	98.51	568.96	535.66	428.53
Selling and Distribution Expenses	10.66	140.33	123.72	88.76
Interest & Finance	16.04	55.87	38.21	31.33
Misc. Expenses written off	0.02	1.33	1.25	1.25
Total Expenses	339.09	1,791.18	1,977.52	1,616.76
Profit Before Depreciation and Income Tax	237.64	1,778.48	752.39	511.70
Prior period items	5.15	2.51	0.05	-
Depreciation	132.54	530.39	374.52	305.19
Net Profit before Tax and Extra-ordinary items	99.95	1,245.58	377.82	206.51
Provision for Taxation	60.00	402.98	80.29	51.00
Provision for Deferred tax	(12.62)	48.97	80.51	29.02
Net Profit before Extra-ordinary items	52.57	793.63	217.02	126.49
Extra-ordinary items		-	-	-
Net Profit after Extra-ordinary items	52.57	793.63	217.02	126.49
Adjustment on account of changes in accounting Policy as shown below:	-	-	(41.90)	13.49
Impact on deferred Tax Liability	-	-	23.44	(6.93)
Impact on Depreciation	-	-	-	20.42
Impact on the other Income	-	-	(65.34)	-
Net Profit after tax as restated	52.57	793.63	175.12	139.98
Less: Share of Profit/(Loss)of Subsidiary	(8.45)	122.44	(3.80)	(13.73)
Profit available for Appropriation	61.02	671.19	178.92	153.71

Note * attached depicting calculation of Share of profit/ Loss of Subsidiary as below:

(Rs in Lacs)

Adjustment on account of Profit/(Loss) of Subsidiaries	Quarter Ended At 30.06.2005	31.03.2005	31.03.2004	31.03.2003
Unrealised gain	-	52.98	-	-
Pre-acquisition profit	-	7.71	-	-
Minority interest	(8.45)	61.75	(3.80)	(13.73)
	(8.45)	122.44	(3.80)	(13.73)

Annexure XII Consolidated Cash Flow Statement

(Rs in Lacs)

	Quarter Ended	For The Financial Year Ended		
Particulars	30.06.2005	31.3.2005	31.3.2004	31.3.2003
Cash flows from operating activities				
Net profit before taxation, and extraordinary item	99.95	1,245.58	377.84	206.52
Adjustments for:				
Depreciation	132.56	531.72	394.95	348.22
Impact on depreciation due to policy change	-	-	(20.42)	(43.03)
Provisions for Gratuity & Leave Encashment	3.64	20.51	2.40	5.34
Foreign exchange loss	(0.74)	(0.74)	4.18	2.66
Interest income	(3.15)	(6.78)	(8.62)	(4.45)
Preliminary Expense Written off	-	0.95	1.25	1.25
Loss / (Profit) on Sale of Fixed Assets	-	0.18	-	0.49
Interest expense	13.89	36.39	24.72	21.80
Bad Debts	-	2.96	6.37	39.02
Sundry Balances W/back	-	(97.73)	(80.77)	(2.53)
Sundry Balances W/Off	-	2.96	6.37	39.02
Operating profit before working capital changes	246.15	1,736.00	708.27	614.31
(Increase) / Decrease in sundry debtors	143.73	(614.23)	(410.56)	(340.19)
(Increase) / Decrease in inventory	16.10	(15.21)	(8.08)	30.20
(Increase) / Decrease in Loans & Advances	(221.26)	(103.99)	(52.07)	(24.02)
Increase / (Decrease) in Current Liabilities	(179.10)	208.82	195.08	222.29
Cash generated from operations	5.62	1,211.39	432.64	502.59
Tax (Paid) / Refund	(3.91)	(72.76)	(77.42)	(39.05)
Cash flow before extraordinary item	1.71	1,138.63	355.22	463.54
Extra ordinary Items	-	0.95	-	-
Foreign exchange loss	0.74	1.97	0.52	(0.70)
Net cash from operating activities	2.45	1,141.55	355.74	462.84
Cash flows from investing activities				
Purchase of fixed assets	(147.53)	(1,314.61)	(575.98)	(497.88)
Sale of fixed assets Paid for intangibles	-	293.44	118.61	5.30
Purchase of Investments in group company	-	(62.50)	(18.26)	-
Investment in subsidiary or purchase of business	-	(1.36)	-	-
Interest received	3.15	6.78	8.62	4.45
Net cash from investing activities	(144.38)	(1,078.25)	(467.01)	(488.13)
Cash flows from financing activities				
Repayment) / Proceeds of long-term borrowings	94.87	143.64	157.20	52.10
Interest paid	(13.89)	(36.39)	(24.72)	(21.80)
Dividend Paid	-	-	-	-
Net cash used in financing activities	80.98	107.25	132.48	30.30
Net increase in cash and cash equivalents	(60.95)	170.55	21.21	5.01
Cash and cash equivalents at beginning of period	303.19	132.64	111.43	106.42
Cash and cash equivalents at end of period	242.26	303.19	132.64	111.43

Annexure XIII Significant Accounting Policies

1. Basis of preparation of financial statements:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in India in Indian Rupees (Rs.), solely for the convenience of the reader, the financial statements of foreign subsidiary as of and for the quarter ended June 30, 2005, year ended March 31, 2005, 2004, 2003, and 2002 have been translated into Indian Rupees at the conversion rate as on the closing rate of respective year.

2. Principles of consolidation

The consolidated financial statements of the company include financial statements of its majority-owned subsidiaries, which are more than 50% owned and where Educomp Datamatics Limited is able to exercise control over the operating and financial policies of the companies. All material inter-company accounts and transactions are eliminated on consolidation.

The consolidated financial statements have been prepared on the following basis:

- a. The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21- "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b. In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.
- c. The difference between the costs of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
- d. Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- e. Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- f. Cash, cash equivalents and short-term investments: The Company considers all highly liquid investments with banks in the shape of Fixed Deposits to be cash equivalents. Cash and cash equivalents currently consist of cash and cash on deposit with banks.

g. Foreign currency translations:

The functional and reporting currency of the Company is the Indian Rupee, except that of Edumatics Corporation, USA a wholly owned subsidiary incorporated in the United States whose functional currency is the US Dollar. The translation of the US dollar into Indian Rupee is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue and expense accounts using a monthly simple average exchange rate for the respective periods. The gains or losses resulting from such translation are reported in other comprehensive income, a separate component of shareholders' equity.

3. Effects of Consolidation:

As a result of consolidation, the following are the eliminations as a result of intra group transactions in F. Year 2002, 2003, 2004, 2005 and quarter ended June 30 2005

Intra Group Elimination

- i. Transactions relating to Quarter Ended 30.06.2005 are as follows:

(Rs in Lacs)

Quarter Ended 30.06.2005					
Name of Subsidiaries	Debtors/ Creditors	Fixed Assets	Other Income	Hiring & Infrastructur e Utilisation Charges	Profit & Loss (Unrealised Gain)
Educomp Datamatics Ltd	79.96	97.38	0.30		
Educomp Learning Pvt. Ltd.	79.96			0.30	97.38

ii. Transactions relating to FY 2004-05 are as follows:

(Rs in Lacs)

2004-05					
Name of Subsidiaries	Debtors/ Creditors	Fixed Assets	Profit & Loss (Unrealised Gain)	Dr. Balances W/o	Cr. Balances W/b
Educomp Datamatics Ltd	169.63	103.88		10.52	
Edumatics Corporation					10.52
Educomp Learning Pvt. Ltd.	169.63		103.88		

iii. Transactions relating to FY 2003-04 are as follows:

(Rs in Lacs)

2003-04		
Name of Subsidiaries	Debtors/ Creditors	Advances/Unsecured Loan/Subscription recd. In Adv.
Educomp Datamatics Ltd	9.78	1.39
Edumatics Corporation	9.78	1.39

iv. Transactions relating to F. Yr 2002-03 are as follows:

(Rs in Lacs)

2002-03					
Name of Subsidiaries	Sale	Purchase	Contractual Services	Debtors/ Creditors	Advances/ Subscription
Educomp Datamatics Ltd	86.52	7.54		52.43	0.89
Edumatics Corporation			86.52	52.43	
Wheatstone Production Pvt. Ltd	7.54				0.89

4. Business acquisitions

The company has neither acquired any business undertaking nor acquired any assets & liabilities of any undertaking.

5. Discontinued operations

As per the commercial agreement between First Carlyle Ventures & Company, the company has divested in Oct, 2003 its software services, e-learning business, namely Learning Mate division as per terms & conditions of the agreement.

6. Subsidiaries

The financial statements of the following subsidiary companies have been consolidated as per Accounting Standard-21 on "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India.

Name of the Subsidiary	Proportion of ownership interest (%)			
	Quarter Ended At	Financial Year Ended At		
	30.6.2005	31.3.2005	31.3.2004	31.3.2003
Subsidiary Co.				
Educomp Learning P. Ltd.	51%	51%	N.A	N.A
Wheatstone Productions P. Ltd.	51%	51%	51%	51%
Foreign Subsidiary Co.				
Edumatics Corporation, USA	100%	100%	100%	100%

7. Uniform Accounting Policies

The consolidated financial statements have been prepared on the basis of the accounting policies adopted by the individual entities, as indicated under financial statements of respective companies

Annexure XIV Notes to the Account

1. Description of business

Educomp Solutions Limited, a Product driven & IP led Company together with its subsidiaries (the Company) is engaged in providing various services, such as bridging the Digital Divide by wiring up the Govt. led Schools, IP & Product led Smart Class Projects relating to education, computer aided learning, Professional Development Initiatives in training, content development etc. and sale of educational products and technology equipments viz. educational books, CD's and toys, computer hardware and related peripherals

2. Change in Accounting Policies

The Assets & Liabilities and Profit & Loss Account of the company for the financial year ended March 31 2001, 2002, 2003, and 2004. 2005 and for the quarter ended June 30, 2005 have been restated after making such adjustments and regrouping as required. The underneath reasons for restatement and the notes relating to the adjustments carried out are as under:

In the financial year 2003-04, there has been a change in the method of providing depreciation on fixed assets provided on lease under ICT/Smart Class projects from Written Down Value Method to Straight Line Method as per the Provisions of Companies Act, 1956.

In view of the change in the Policy of the company, the company has written back the extra depreciation charged amounting to Rs. 65.34 Lacs in that year in respect of fixed assets provided on lease under ICT/ Smart Class projects, provided for in the previous years.

The Extra Depreciation written back in the year 2003-04 in respect of fixed assets provided on lease under ICT/ Smart Class projects in respect of following years:

(In Rs Lacs)	
Financial Year	Depreciation Written Back
2002-03	20.42
2001-02	43.03
2000-01	1.89
	65.34

The Fixed Assets, Depreciation and the Deferred Tax Liability for these years have been restated to the extent of depreciation written back.

(In Rs Lacs)					
Year	Depreciation Higher/ (Lower) by	Deferred Tax Liability Higher / (Lower) by	Net Higher/ (Lower) by	Block Reserves Higher/ (Lower) by	Other Income Higher/ (Lower) by
2000-01	(1.89)	-	1.89	1.89	-
2001-02	(44.91)	-	44.91	44.91	-
2002-03	(65.34)	23.44	65.34	41.90	-
2003-04	-	(23.44)	-	(41.90)	(65.34)

3. Deferred Tax

The year-wise restated Deferred Tax Calculations are as under:

(Rs in Lacs)				
	Quarter Ended At 30.06.2005	31.03.2005	31.03.2004	31.03.2003
Deferred Tax Assets				
Retirement Benefits	5.96	5.67	3.45	3.60
Leave Encashment	2.03	1.92	0.70	0.67
Doubtful Debts		-	1.00	1.52
Total	7.91	7.59	5.15	5.79
Deferred Tax Liabilities				
Depreciation	197.13	209.43	158.03	101.59
Total	197.13	209.43	158.03	101.59
Net Deferred Tax Liability	189.22	201.84	152.87	95.80

The impact of such restatement has resulted into:

- In the FY 2004, net profit of the company has been decreased by Rs. 65.34 Lacs. Accordingly, no impact on Provision of Taxation for the year has been considered as the same have already been reduced while calculating the provision for tax.
- At the outset, there is no effect of restatement regarding the Deferred Tax Liability (DTL) computed as on 31.03.2004. However, the net profit for the FY 2004 has increased due to the tax impact of the change in the DTL as on 31.03.2004 vis-à-vis 31.03.2003, amounting to Rs. 8.40 Lacs.
- In the FY 2003, there is an increase in Deferred Tax Liability by Rs. 23.44 Lacs, out of which Rs. 6.93 Lacs pertains to tax impact calculated on restated depreciation resulting into its resultant impact on the net profit. The balance amount of Rs. 16.51 Lacs have impacted the Retained Earnings due to the adoption of the Transitional Provisions as stated in AS-22 issued by ICAI in 2003 by the company. In other words, the increase in DTL have resulted into decrease in net profit and retained earnings by the above amounts.
- In the FY 2002 and FY 2001, due to restatement, the net profit for the respective years has been increased by Rs. 43.03 Lacs and Rs. 1.89 Lacs.
- There is no restatement with regard to the prior period items appearing in the financial statements of FY 2005, 2002 and quarter ended June 30, 2005 as the liability for the same crystallized in the year of payment only.

4. Earnings per share

Particulars	Quarter Ended	Financial Year ended		
		31.3.05	31.3.04	31.3.03
	30.6.2005			
Net profit as per profit and loss account for computation of EPS (Rupees in Lacs)	61.02	671.19	178.92	153.71
Weighted average number of equity shares outstanding during the period	4,473,381	4,473,381	4,473,381	4,473,381
Weighted average number of equity shares outstanding for computation of EPS	4,473,381	4,473,381	4,473,381	4,473,381
Basic earning per share of face value of Rs. 10 (Rs.)	1.36	15.00	4.00	3.44

Note: EPS has been considered on quarterly profits, considering full capital base. The company has a seasonality cycle for booking of the revenue, which is as follows:

Quarter I amounts to approximate 10 to 12% of the total revenue, Quarter II amounts to approximate 18 to 20% of the company. Quarter III amounts to approximate 25 to 30% and Quarter IV amounts to approximate 38 to 47%.

5. Segmental Information

The company has identified four business segments as its primary segment. The company has no geographical segments as reportable secondary segments.

Revenue and expenses directly attributable to segments are reported under each reportable segment. All other expenses, which are not attributable or allocable to segments, have been disclosed as un-allocable expenses

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as un-allocable.

(Rs in Lacs)

Consolidated Segment wise performance for the year ended 31st March, 2005					
Business segments	Educational Services			Other	Total
	Professional Development	Smart Classes	ICT Solutions		
Revenue	1,033.71	294.88	1,326.02	827.74	3,482.35
	809.04	89.22	1,448.87	326.82	2,673.95
Expenses	359.52	232.13	1,000.10	100.05	1,691.80
	307.64	146.02	1,071.59	438.30	1,963.55
Results	674.19	62.75	325.92	727.69	1,790.55
	501.40	(56.80)	377.28	(111.48)	710.40
Less: Unallocable Expenditure					632.28
					388.53
Add: Other Income					87.31
					55.95
Operating profit					1,245.58
					377.82
Profit Before Tax					1,245.58
					377.82
Less: Tax Expense					
-Current					402.98
					80.51
-Deferred					48.97
					80.29
Net Profit before minority interest					793.63
					217.02
Less: Unrealised Gain					52.98
Less: Pre-acquisition Profit					7.71
Less: Minority Interest					61.75

					(3.80)
Net Profit					671.19
					220.82

Note: Previous year's figures are given in italics.

Segment Assets	As at 31st March 2005	As at 31st March 2004
Professional Development	625.76	292.77
ICT Solutions	1,727.74	1,014.22
Smart Class	194.49	133.43
Others	456.35	246.67
	3004.34	1,687.09
Unallocated assets	1,162.37	1,039.40
Total Assets	4,166.71	2,726.49
Segment Liabilities		
Professional Development		
ICT Solutions	271.72	61.79
Smart Class	124.76	66.72
Others	313.44	48.32
	732.36	198.08
Unallocated liabilities	1,166.59	1,001.51
Total Liabilities	1,898.95	1,199.59
Capital Expenditure	1,063.82	575.98
Depreciation		
Professional Development	-	-
ICT Solutions	161.95	110.52
Smart class	67.64	110.52
Others	-	27.78
	229.59	203.69
Unallocated depreciation	300.80	170.84
Total Depreciation	530.39	374.53

Consolidated Segment wise performance for the quarter ended 30.06.2005

Business segments	Educational Services			Other	Total
	Professional Development	Smart Classes	ICT Solutions		
Revenue	218.27	87.98	203.20	61.26	570.71
Expenses	72.61	56.75	147.97	83.57	360.90

Results	145.66	31.23	55.23	(22.31)	209.81
Less: Unallocable Expenditure					115.88
Add: Other Income					6.02
Operating profit					99.95
Profit Before Tax					99.95
Less: Tax Expense					
-Current					60.00
-Deferred					(12.62)
Net Profit before minority interest					52.57
Less: Minority Interest					(8.45)
Net Profit					61.02

<u>Segment Assets</u>	As at 30.06.2005
Professional Development	731.96
Smart class	288.80
ICT Solutions	1,363.69
Others	272.35
	2,656.80
Unallocated assets	1,339.63
Total Assets	3,99
<u>Segment Liabilities</u>	
Professional Development	25.23
Smart class	288.81
ICT Solutions	208.60
Others	29.05
	551.69
Unallocated liabilities	1,024.34
Total Liabilities	1,576.03
<u>Capital Expenditure</u>	145.48
<u>Depreciation</u>	As At 30.06.2005
Professional Development	-
Smart class	28.37
ICT Solutions	31.21
others	-
	59.58
Unallocated depreciation	58.40
Total Depreciation	117.98

Annexure XV Details of Operational Income**(Rs in Lacs)**

Particulars	Quarter Ended on	(RS in Lacs)		
		Financial Year Ended on		
	30.06.2005	31.03.2005	31.3.2004	31.3.2003
Educational Services	531.84	2767.36	1625.78	1344.31
Sales from Products traded by company	35.45	546.54	977.96	776.60
Sales from services not included as above	0.00	0.00	0.00	0.00
Total	567.29	3313.90	2603.74	2120.91

Annexure XVI Details of Other Income**(Rs in Lacs)**

Particulars	Quarter Ended on	Financial Year Ended on			Remarks
		30.6.2005	31.3.2005	31.3.2004	31.3.2003
Interest income	3.15	6.78	8.62	4.45	Recurring
lease & hire charges	5.74	121.44	31.29	-	Recurring
Depreciation written back	-	65.47	65.34	-	Non-Recurring
Provisions no longer required, written back	-	2.79	12.54	1.25	Non-Recurring
Credit balances written back	-	29.47	2.91	1.28	Non-Recurring
Profit on sale of fixed assets/Investment	-	1.56	-	-	Non-Recurring
Foreign Exchange fluctuation (Net)	0.20	0.73	-	-	Non-Recurring
Miscellaneous income	0.35	27.52	5.47	0.57	Non-Recurring
Total	9.44	255.76	126.17	7.55	

Annexure XVII Statement of Dividends paid for the last 5 years

Year	Dividend Paid %
FY 2005	NIL
FY 2004	NIL
FY 2003	NIL
FY 2002	NIL
FY 2001	NIL

Annexure XVIII Mandatory Accounting Ratios

	Quarter Ended At	Financial Year Ended At		
	30.06.05	31.03.05	31.03.04	31.03.03
EPS (Rs.) (after Extra Ordinary Items)	1.36	15.09	4.00	3.44
Return on Net Worth (%)	2.67%	35.20%	12.07%	11.36%
Net Asset Value per share (Rs.)	51.73	50.60	35.10	31.16

Note on return on Net worth: - The return on net worth as on 30.06.2005 has been computed on the profits of the quarter, the quarter results are seasonal in nature which is as follows:

Quarter I amounts to approximate 10 to 12% of the total revenue, Quarter II amounts to approximate 18 to 20% of the company. Quarter III amounts to approximate 25 to 30% and Quarter IV amounts to approximate 38 to 47%.

Notes:

- Earnings per share** (after extra ordinary items) = Adjusted Net Profit after Tax and extra ordinary items / No. of Shares.
- Return on Net Worth (%)** = Adjusted profit after Tax and extra ordinary items / Average adjusted Net Worth.
- Net Asset value per share** = Adjusted Net Worth / No. of shares outstanding at the year end.
- Net Worth** = Share Capital + Reserves & Surplus (excluding revaluation reserves) - Miscellaneous expenditure to the extent not written off.
- Average adjusted Net Worth** = (Adjusted Net Worth at the beginning of the year + Adjusted Net Worth at the end of the year) / 2.

Annexure XIX Statement of Sundry Debtors

a. Age-wise Analysis of Sundry Debtors

	(Rs. in lacs)			
As at	30.6.2005	31.3.2005	31.3.2004	31.3.2003
Upto 180 days	1073.79	1579.07	1145.87	849.03
Greater than 180 days	694.56	336.43	161.32	63.13
<i>Less: Considered Doubtful</i>	<i>1.45</i>	<i>1.45</i>	<i>1.45</i>	<i>4.24</i>
Considered Good	693.11	334.98	159.87	58.89
Total	1766.90	1914.05	1305.74	907.92

b. Details of the Related Party Debtors

	(Rs in lacs)			
As at	30.6.2005	31.3.2005	31.3.2004	31.3.2003
Learning Links foundation	545.78	495.88	255.42	-
Learning Leadership Foundation	53.97	142.86	-	-
SEI Technology Pvt. Ltd.	2.68	2.68	-	-
Lakshya Digital Pvt. Ltd.	3.08	3.08	-	-
Total	605.51	644.50	255.42	-

Annexure XX Details of Loans and Advances

	(Rs. In lacs)			
As at	30.6.2005	31.3.2005	31.3.2004	31.3.2003
Prepaid Expenses	5.87	5.09	3.84	0.82
Advance To Parties	77.05	17.30	37.35	6.35
Staff Loan & Advances	24.68	12.91	10.24	6.36
Karnataka Sales Tax Collected/Advance Tax	61.69	54.18	-	0.92
Security Deposits	160.57	153.80	60.57	58.35
Others	30.32	-	12.27	-
Total	360.18	243.28	124.27	72.80

There are no loans and advances to related parties.

Annexure XXI Details of Unsecured Loans**(Rs in Lacs)**

As at	30.06.2005	31.03.2005	31.3.2004	31.3.2003
Amount Outstanding	33.37	14.29	5.26	-
Interest Rate (%)	NA	NA	NA	NA
Repayment Schedule	Not loan, received as advance.	Not loan, received as advance.	Not loan, received as advance.	-

Annexure – XXII Details of Secured Loans outstanding as on July 31, 2005**(Rs in Lacs)**

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Outstanding as on July 31 2005	Rate of Interest P.A (%)	Repayment of Terms	Securities Offered
Mid Term Loan	State Bank of Patiala,	Term Loan	70	47.93	12.60% p.a.	In 6 half-yearly installments of Rs. 0.12 crores plus interest w.e.f September 2004. Interest for moratorium period shall be recovered at monthly intervals as & when applied.	Equitable mortgage of institutional plot measuring 1046.3 square meters at 514, Udyog Vihar III, Gurgaon (where proposed office complex shall be constructed) and office building to be constructed thereupon.
Loan facility	Unitel Credit Private Limited	Loan facility	80	70.26	Interest rate @ 5.99 % p.a. calculated on flat basis.	Monthly installments in advance	Exclusive first charge on all the assets financed and/or to be financed by Intec Securities Limited and/or Unitel Credit (P) Ltd. in the past, present and future.
Rental & Financing Agreement	Hewlett-Packard Financial Services (India) Private Ltd.	Rental & Financing	154.35	111.74	Rs 32.03 per month per 1000	Emi 4, 94,383 for 36 months	Charge on 900 Personal Computer
Equipment Loan Facility	ICICI Bank	Loan facility	51.47	3.64	Interest rate @14.50 % (reducing daily).	Company does not have the copy the agreement. However sanction letter of ICICI is available.	

Equipment Loan Facility	ICICI Bank	Loan facility	66.93	48.53	Interest rate @9.86 %	Monthly Installment (EMI) of Rs. 215,527	Charge on PC 269 Wipro, Printer 300 PC, Printer 500 PC, UPS 500 PC
Equipment Loan Facility	ICICI Bank	Loan facility	16.79	10.19	Interest rate @9.86 %	Monthly Installment (EMI) of Rs. 77,378.	Charge on PC 7 pieces assembled, CPU 66 pieces assembled, Projector 10 pieces NEC
Equipment Loan Facility	ICICI Bank	Loan facility	56.66	49.86	Interest rate @10 %	24 EMI of Rs. 26,14,61.	Charge on PC 330 pieces PCS, UPS 23 Pieces Aura, UPS 46 Pieces Wipro, Printer 50 Pieces Wipro, Monitor 285 Pieces Samsung.

Particulars of Loan	Bank	Nature of Loan	Sanction Amount	Outstanding as on July 31 2005	Rate of Interest P.A (%)	Securities Offered
Working Capital Facility	State Bank of Patiala, Parliament Street	Cash Credit (CC) (Hypothecation)	200	177.50	CC - 1.60% above BPLR i.e. 12.10% p.a. (Floating)	CC – Hypothecation of stocks of all kinds & receivables. (First exclusive charge over entire current assets of the company to be got noted with ROC)
Non Fund Facility	State Bank of Patiala, Parliament Street	Bank Guarantee & Letter of Credit	40 + 15	BG 157.51 LC 34.30	3.25% Above STPLR subject to change from time to time	Hypothecation of Stock of books, CD's, Educational software's, receivables etc.
Non Fund Facility		Bank Guarantee	75		3.25% Above STPLR subject to change from time to time	Deposit of Title deeds relating to the immovable property of the Company at Industrial Plot No. 514, Phase III, Udyog Vihar, Gurgaon
Non Fund Facility		One-time ad hoc Bank Guarantee	73		3.25% Above STPLR subject to change from time to time	Letter evidencing deposit of requisite title deeds to create extension of charge by equitable mortgage.

Note: The Company has also received sanction letter from SBOP towards sanctioning of Term Loan facility of Rs. 500 Lacs and Non-Fund facility of Rs. 300 Lacs vide letter dated 29/01/2005. However, the company has not availed the facility till date.

Annexure XXIII Capitalisation Statement**(Rs. in lacs)**

	Quarter Ended	Financial Year Ended	
	Pre-offer as at 30.06.2005	Pre-offer as at 31/03/2005	After the offer
Borrowings			
Short term Debt	136.87	161.82	(.)
Long Term Debt	376.66	275.91	(.)
Total Debt	513.53	437.73	(.)
Shareholders' Funds			
Share Capital	447.34	447.34	(.)
Reserves	1866.91	1892.21	(.)
Total Shareholders funds	2314.25	2263.43	(.)
Long term debt / Equity Ratio	0.22	0.19	(.)

Annexure XXIV Tax Shelter Statement**(Rs in Lacs)**

Particulars	Quarter Ended At	Financial Year Ended		
	30.06.05	31.03.05	31.03.04	31.03.03
Profit or Loss before tax as per audited accounts	133.59	1210.90	349.40	256.14
Tax Rate	33.66%	36.59%	35.88%	36.75%
Tax at Notional Rate (A)	44.97	443.07	125.36	94.13
Adjustments:				
Export Profits		-	-	-
Differences between Tax Depreciation and Book Depreciation	(36.32)	117.99	48.09	149.76
Other Adjustments	(7.68)	55.02	81.87	(7.37)
Net Adjustments	(44.00)	173.01	129.96	142.39
Tax saving thereon (B)	(14.81)	63.31	46.63	52.33
Total taxation (A-B)	59.78	379.76	78.74	41.80
Taxation on extra-ordinary items	0.00	0.00	0.00	(0.00)
Tax on Profits before extra-ordinary items	59.78	379.76	78.74	41.80

Note: Tax Shelter computation is done by considering Educomp Datamatics only for financial year(s) 2001, 2002, 2003 and 2004 as no subsidiary has taxable profits. And for 2005 Educomp Learning Pvt. Ltd. has been considered for the purpose of Tax Shelter computation as it is the only subsidiary having had taxable profits. For the quarter ended 30th June 2005 the Tax Shelter Statement has been prepared considering Educomp Solutions Limited only as no subsidiary has taxable profit during the quarter except for Wheatstone Productions Private Limited for which also tax shelter has not been considered.

Annexure XXV Details of Related Party Transactions

The Company has entered into the following related party transactions. As on 31st March, 2005, 2004, 2003 and quarter ended June 30, 2005 such parties and transactions are identified as per Accounting Standard 18 issued by Institute of Chartered Accountants of India:

Transactions during the quarter April 2005 to June 2005**(Rs in Lacs)**

	Associate	Others		Key Management Personnel	Total
Transactions	SEI Technology P. Ltd.	Learning Leadership Foundation.	Learning Link Foundation.	Shantanu Prakash	
Sales & related Income	-	59.15	140.55	-	199.70
Other Income	-	0.30	0.30	-	0.90
Remuneration	-	-	-	7.05	7.05

Transactions during the period April 2004 to March 2005**(Rs in Lacs)**

	Associates		Others		Key Management Personnel	Total
Transactions	Lakshya Digital P. Ltd.	SEI Technology P. Ltd.	Learning Leadership Foundation.	Learning Link Foundation.	Shantanu Prakash	
Sales & related Income	3.01	-	216.97	812.51	-	1032.49
Other Income	-	4.33	-	-	-	4.33
Purchase of goods	0.07	47.11	-	-	-	47.18
Advances given	-	-	0.40	1.08	-	1.48
Remuneration	-	-	-	-	25.59	25.59

Transaction during the period April 2003 to March 2004**(Rs in Lacs)**

	Others	Key Management Personnel		Total
A. Transactions	Learning Links Found.	Anjee Prakash	Shantanu Prakash	
Sales & related Income	294.92	-	-	294.92
Other Income	0.60	-	-	0.60
Remuneration	-	7.89	14.22	22.11

Transaction during the period April 2002 to March 2003**(Rs in Lacs)**

	Others	Key Management Personnel		Total
A. Transactions	Learning Links Foundation	Anjee Prakash	Shantanu Prakash	
Remuneration	-	14.86	14.22	29.08

Annexure XXVI Details of Contingent Liabilities**(Rs in lacs)**

As at	30.06.2005	31.03.2005	31.03.2004	31.03.2003
Claims against the company not acknowledged as Debts	20.22	20.22	20.22	20.22
Guarantees given by banks on behalf of company	156.51	134.51	126.04	22.16
Corporate Guarantee given to Third Party	1700.00			
Total	1876.73	154.73	146.25	42.38

II. Financial Information of Group Companies

1. SEI Technology Private Limited (STPL)

STPL is a private limited company incorporated under the Companies Act. The date of incorporation is October 18, 1996. The company is in the business of trading of computer and related accessories.

The Shareholding Pattern of STPL as on March 31, 2005 is set out below:

Shareholders	No. of Shares	%
Mr. Jagdish Prakash	8010	53.33
Mrs. Lalita Prakash	7010	46.67

Mr. Jagdish Prakash and Mrs. Lalita Prakash are the directors of the STPL.

The brief financial results of the company are set out below:

Particulars (Year ended)	(In Rs Lacs)		
	31.3.2003	31.3.2004	31.3.2005
Total Income	5.04	.54	131.13
PAT	-0.17	-1.70	5.43
Share Capital	1.50	1.50	1.50
Reserves (excluding revaluation reserves)	2.78	1.09	7.61
Net Worth	4.29	2.59	9.11
EPS (Rs.) (Basic)	36.17	NA	NA
NAV per share (Rs.)	2.78	2.59	9.11

2. Lakshya Digital Pvt. Ltd.

Lakshya Digital Pvt. Ltd. is a private limited company incorporated under the Companies Act. It was incorporated on July 13th 2004. The company is in business of carrying on the development of computer software games, console games, mobile games or related components, compact disc, video compact discs and encyclopedia or content development including animations and artwork and other allied products.

The Shareholding Pattern of Lakshya Digital Pvt. Ltd. as on March 31, 2005 is set out below:

Shareholders	% Holding
Mr. Shantanu Prakash	67
Mr. Manvinder Shukul	15
Mr. Debyajyoti Chaudhari	15
ESOP Basis	3

Mr. Shantanu Prakash, Mr. Manvinder Shukul and Mr. Debyajyoti Chaudhari are the Directors of Lakshya Digital Pvt. Ltd.

The brief financial results of the company are set out below:

Particulars (Year ended)	(In Rs Lacs)	
	31.3.2005	
Total Income	Nil	
PAT	-78.19	
Share Capital	103.23	
Reserves (excluding revaluation reserves)	-70.87	

Net Worth	32.37
EPS (Rs.) (Basic)	NA
NAV per share (Rs.)	32.37

3. Learning Link Foundation

Learning Links Foundation is a trust registered under Indian Trust Act, 1882. The date of incorporation is September 4, 2002. The activities of the trust are to provide, develop and undertake workshops, training programs for teachers, academicians and public to train and equip them with knowledge and skill in educational technologies and to render services to any such company, association, organization in academic field by way of imparting training and knowledge skills.

Mrs. Pimi Malhotra is the Managing Trustee and Mr. Ravi Malhotra is the trustee of the Learning Link Foundation. Mrs. Pimi Malhotra and Mr. Ravi Malhotra are parents of Dr Anjlee Prakash, promoter of ESL.

The brief financial results of the company are set out below:

(In Rs Lacs)			
Particulars (Year ended)	31.3.2003	31.3.2004	31.3.2005
Total Income	Nil	217.89	799.21
Excess of Income over Expenditure	-0.13	9.93	28.29
Trust Fund	0.28	0.53	0.53
Reserves (Excess of Income over Expenditure)	-0.13	9.80	38.10
Capital Fund	0.15	10.33	38.62

4. Learning Leadership foundation

Learning Leadership Foundation is a trust registered under Indian Trust Act, 1882. The date of incorporation is February 1, 2003. The activities are to provide, develop and undertake workshops, training programs for teachers, academicians and public to train and equip them with knowledge and skill in educational technologies and to provide quality education by setting up of educational institutions across the country.

Mr. Shantanu Prakash and Mr. Jagdish Prakash are trustees of Learning Leadership Foundation.

The brief financial results of the company are set out below:

(In Rs Lacs)			
Particulars (Year ended)	31.3.2003	31.3.2004	31.3.2005
Total Income	Nil	Nil	87.92
Excess of Income over Expenditure	-0.13	-0.26	12.84
Trust Fund	0.28	0.28	0.98
Reserves (Excess of Income over Expenditure)	-0.13	-0.38	12.46
Capital Fund	0.15	-0.11	13.44

Related party transaction with Group Concerns

For details of transactions with Group Concerns please refer to related party transactions on page no. 110 of this Draft Red Herring Prospectus.

Changes in Accounting Policies

Details of Changes in accounting policies have been mentioned under the head 'Financial Information' in page no. 101 of this Draft Red Herring Prospectus.

III. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview of the business of the company

Our business was set up in 1994 in New Delhi and we have grown over the years as one of India's leading education-centric technology companies.

We are in the business of developing educational content under "Smart Class" program using information technology, which aid in classroom teaching. We provide ICT solutions for setting up and running computer education programs in schools. We also provide training to teachers, students and parents, which help in their overall development. We are also into trading of educational CD-ROMs and toys.

Our vision is to be among the top 10 Learning solutions companies worldwide in the sector by 2010.

Significant developments subsequent to the last financial year:

- Change of name to Educomp Solutions Ltd
- Issue of Bonus shares
- Preferential allotment of 10,00,000/- Equity shares to Roopchand Bhansali(HUF)
- Appointment of Mr. Gopal Jain , Director of View Advisors Private Limited as an independent director
- CNBC Emerging India Award being conferred our company in the ICT & ITES sector
- Received " SM 1" award from CRISIL indicating highest level of credit worthiness.,under SME rating of CRISIL

Factors that may affect results of the operations:

- Change in Government spending and policies on education
- Change in computer hardware costs due to any changes in taxes, duties, levies etc
- Availability of skilled manpower
- Competition from other players
- Level of acceptability of our products among our customers
- Quality and service level of our products

Discussions on Results of Operations

Comparative Analysis of Financial Conditions & Results of Operations

(Rs in lacs)				
PARTICULARS	2002-03	2003-04	2004-05	Audited Quarter ended as on June, 2005
Sales & Earning				
Sales	2071.38	2475.00	2981.87	535.25
Other Income	7.16	126.16	229.29	9.74
Total Income	2078.54	2601.16	3211.16	544.99
Profit Before Taxes	256.14	349.40	1021.24	133.59
Provision for Taxes	80.02	160.80	382.84	47.57
Profit After Taxes & after prior period expenses	176.12	188.60	632.87	80.87
Equity Dividend	Nil	Nil	Nil	NIL
Retained Earnings for the Year	176.12	188.60	632.87	80.87
Assets				
Gross Block (Including Capital WIP)	1436.83	1898.30	2662.22	2807.69
Net Block	857.57	1011.85	1358.53	1386.02

Investment	92.08	110.35	174.20	174.20
Misc. Expenditure	NIL	NIL	NIL	3.13
*Net Working Capital	702.83	877.18	1244.23	1370.44
Total Net Assets	1652.49	1999.38	2776.96	2933.79
Liabilities				
Represented By				
Share Capital	447.34	447.34	447.34	447.34
Reserves & Surplus	1070.73	1259.33	1892.22	1973.08
Total Net Worth	1518.07	1706.67	2339.56	2420.42
Loan Funds	134.42	292.71	437.40	513.37
Total Funds	1652.49	1999.38	2776.96	2933.79
Other Highlights				
Foreign Exchange Earnings	131.31	13.24	17.11	1.44
(Including Deemed Exports & Sales through Export Houses)				
Foreign Exchange Outgo)	51.90	111.77	101.47	2.01
Installed Capacity & Production				
Installed Capacity (M.T.p.a)	N.A	N.A	N.A	N.A
Production (M.T.)	N.A	N.A	N.A	N.A

* Net Working Capital = Current Assets –Current Liabilities- Deferred Tax Liability

Comparison of FY 2005 with FY 2004

- a. **Sales Revenues:** Sales Revenue increased by 20.48% from Rs 2475 lacs in FY 2004 to Rs 2981.87 lacs in FY 2005. PAT has also increased by 238.41%:

Reason for jump in profits is depicted as follows:

Comparative Chart of FY 2005 vis-à-vis FY 2004 in respect of Revenues & gross margins
(Rs Crores)

Revenue segments	Professional Dev	ICT solutions	Smart class	Others	Total
FY 2005 Revenue	10.34	13.26	2.95	4.56	31.11
FY 2004 Revenue	8.09	14.49	0.89	1.98	25.54
Inc/ Dec Revenue. (%)	28% Inc.	9% dec.	231% Inc.	130% Inc.	
Inc/ (Dec.) Revenue	2.25	(1.23)	2.06	2.58	5.66
FY 2005 Gross margins	6.74	3.26	0.63	1.15	11.78
FY 2004 Gross margins	5.01	3.78	(0.57)	(1.4)	6.82
Inc/ Dec. Gross margins %	34% Inc.	0.13 % Dec.	210% Inc.	182% Inc.	
Inc/ Dec. Gross margins (Rs)	1.73	(0.52)	1.2	2.55	4.96

The above table brings out that out of total turnover of Rs 32.11 Crores in FY 2005, Rs. 31.11 Crores revenue is attributable to business segments which are depicted as follows & Rs. 1.01 crores pertains to unallocated income.

Segment Details:

Professional development – Rs 10.34 Crores revenue contributing to gross margins of Rs 6.74 crores.

ICT solutions – Rs 13.26 Crores revenue contributing Rs 3.26 Crores gross margins

Smart Class – Rs 2.95 crores revenue contributing Rs 63 lacs gross margins

Others (Retail) – Rs 4.56 Crores revenue contributing Rs 1.15 crores gross margins.

Further Explanation: The “Smart Class” division which had made loss of Rs. 57 lacs in FY 2004, made a profit of Rs. 63 lacs in FY 2005.

In FY 2004, the Learning Mate division, which had contributed NIL revenues, was hived off, with addition of full cost towards the Learning Mate team expenses for about 6 months amounting to Rs. 90 lacs, resulting in loss for that segment in FY 2004.

b. Reason for change in Cost of Goods Sold (COGS) in F Y 2005 :

In FY 2004, we had executed a contract for outright supply of Hardware & related Infrastructure under 11th Finance commission order in Karnataka for Rs 6.58 Crores, a deviation under BOOT model. On account of that order, our revenues for FY 2004 & COGS for FY 2004 had also increased. All the revenue for FY2005 is on account of contracts under BOOT model, hence, the COGS is lower.

c. Personnel Expenses: Personnel expenses increased by 15.67% from Rs 549.07 lacs in FY 2004 to Rs 635.10 lacs in FY 2005. This is mainly due to increase in number of personnel for execution of the contracts signed by the Company.

d. Selling & Distribution Expenses (S&D Expenses): S&D expenses increased by 120.36% from Rs. 43.02 lacs in FY 2004 to Rs 94.80 lacs in FY 2005. This is mainly due to the Company increase in market penetration efforts both in domestic as well as in US market.

e. Profit After Tax (PAT): PAT increased by 238.41% from Rs 188.64 lacs in FY 2004 to Rs 632.88 lacs in FY 2005. The increase in PAT has been on account of significant decrease in COGS, and an increase in Sales of 20.48% in FY 2005 and increase in the other income.

Comparison of FY 2004 with FY 2003

a. Sales Revenues: Sales Revenue increased by 19.49% from Rs 2071.38 lacs in FY 2003 to Rs 2475 lacs in FY 2004. In FY2004 the Company executed a contract with Government of Karnataka under 11th Finance Commission wherein government had an out right purchase of all the hardware and infrastructure, which was a deviation under the BOOT model, which has resulted in increase in trading turnover.

b. Cost of goods sold (COGS): The Cost of goods sold increased by 54.98% from Rs 442.92 lacs in FY 2003 to Rs 686.46 lacs in FY 2004. In FY 2004 the Company executed a contract with Government of Karnataka under 11th Finance Commission wherein government had an out right purchase of all the hardware and infrastructure, which was a deviation under the BOOT model and according the Company had booked purchase there by affecting the COGS in FY 2004.

c. Personnel Expenses: Personnel expenses decreased by 0.64% from Rs 552.59 lacs in FY 2003 to Rs 549.07 lacs in FY 2004.

d. Selling & Distribution Expenses (S&D Expenses): S&D expenses decreased by 38.35% from Rs 69.79 lacs in FY 2003 to Rs 43.02 lacs in FY 2004. This was due to the cost cutting measures adopted by the Company.

e. Profit After Tax (PAT): PAT increased by 7.11% from Rs 176.12 lacs in FY 2003 to Rs. 188.64 lacs in FY 2004. The increase in PAT has been only 7.11% as against the 19.49% increase in Sales due to significant increase in COGS.

Comparison of FY 2003 with FY 2002

- a. **Sales Revenues:** Sales Revenue increased by 16.75% from Rs 1774.21 lacs in FY 2002 to Rs 2071.38 lacs in FY 2003.
- b. **Cost of goods sold (COGS):** The Cost of goods sold increased by 19.90% from Rs 369.41 lacs in FY 2002 to Rs 442.92 lacs in FY 2003. The increase in COGS was in line with the increase in Sales.
- c. **Personnel Expenses:** Personnel expenses increased by 1.83% from Rs 542.65 lacs in FY 2002 to Rs 552.59 lacs in FY 2003.
- d. **Selling & Distribution Expenses (S&D Expenses):** S&D expenses decreased by 38.35% from Rs 113.2 lacs in FY 2002 to Rs 69.79 lacs in FY 2003. This was due to the cost cutting measures of the Company.
- e. **Profit After Tax (PAT):** PAT increased by 34.40% from Rs 131.04 lacs in FY 2002 to Rs 176.12 lacs in FY 2003. This was due to increase in sales along with the cost cutting measures adopted by the Company.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5. OF SEBI DIP GUIDELINES

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that have significantly affected the business of the Company

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

- With effect from June 1, 2005, Fringe Benefit Tax (FBT) has been imposed.
- VAT has been implemented with effect from April 1, 2005. It will have a negative impact on our business as the Company is not able to get the input credit due to capitalization of the hardware and related infrastructure costs used in BOOT model

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

Except for delays in finalization of tenders due to procedural formalities, there are no known trends or uncertainties that are expected to have a material adverse impact on sales, revenues or income from continuing operations.

Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known

The business model of the company is based on providing content & facilitating use of our content by customers. We supply hardware & related infrastructure. The prices of hardware are showing a downward trend over the years, which have a positive impact on our business as customers are becoming more responsive to our services.

The extent to which material increases in net sales or revenue are due to increased sale volumes, introduction of new products or services or increased sales prices

A large part of the sales increase over the past few years has been due to an increase in the number of contracts signed with the government and private schools together with introduction of new products such as Smart Class.

Total turnover of each major industry segment in which the Company operated

The company operates in the education segment, which is primarily driven by government spending.

Status of any publicly announced new products or business segment

The Company has launched online math tutoring services in January 2005 and also opened “Play-N-Learn” retail stores on franchise basis in June 2004

The extent to which business is seasonal

The company’s business is seasonal in nature following the academic decision making cycle in schools. The maximum growth is usually registered in the third and fourth quarter of the financial year.

Any significant dependence on a single or few suppliers or customers

Our major client is the government and as such, a substantial part of our revenues comes from government contracts. Around 33% of our revenues came from the associate companies in FY2005. For related party transaction please refer [Page 110](#) of this Draft Red Herring Prospectus.

Competitive conditions

Our business model is unique as we focus on offering end-to-end solutions to our clients. The Company, as a whole, has no direct competition. We face competition only for parts of the total solution we offer. For competition please refer to [page 69](#) of this Draft Red Herring Prospectus

SECTION VI LEGAL AND OTHER INFORMATION**1. Outstanding Litigations and Material Developments****LITIGATION AGAINST THE COMPANY****Civil Disputes****1.**

Title/Parties	Mrs. Sabnam ... Plaintiff Versus Mr. Shantanu Prakash & Another ... Defendant
Claim	Possession of the suit premises and arrears of rent/damages and mesne profits.
Court	High Court of Delhi, New Delhi - Suit no. 321/ 2002
Stage	Pleadings
Facts	- The civil suit was filed against the Company for possession of the suit premises and recovery of arrears of rent/damages and mesne profits in respect of premises bearing No. R-7, Hauz Khas, New Delhi. - The total amount claimed against the Defendant Company is Rs. 19,80,000/- (Nineteen lacs eighty thousand). - The Company has denied all claims saying they claim have no basis. - However, the Company has filled a counter- claim for recovery of Rs. 34,76,023 against the Plaintiff. - The Counter-claim comprises security deposits lying with the Plaintiff and expenses incurred by the Company for the addition, alteration, repair, and renovation carried out by the Defendant. - In the counter- claim it is stated that Plaintiff had let out the premises to the Company and had also agreed that the Company can carry out additions and alterations on the barasati floor and the expenses incurred by the Company in the additions will be reimbursed by the Plaintiff or adjusted towards the rent of the premises. - Subsequently, the Plaintiff in connivance with her representative made complaints to the Municipal Corporation and got the premises sealed whereby the Company was unable to use the premises. - The Plaintiff has to file replication to the written statement in her claim for possession and recovery of arrears of rent/damages and mesne profits and also has to file written statement to the counter claim filled by the Company. - The case has been re notified for 5th September 2005 for completion of pleadings and admission/ denial of documents.

2.

Title/Parties	Datamatics limited ... Plaintiff Versus Educomp Datamatics Ltd. ... Defendant
Claim	Trademark and perpetual injunction, passing off, damages Rs. 20 Lacs, rendition of accounts, delivery up etc.
Court	High Court of Delhi, New Delhi - Suit no. 2776/2000
Stage	

Facts	• The Plaintiff has preferred a suit for perpetual injunction, passing off, damages, rendition of accounts, delivery up etc. • The case is filed for decree of injunction prohibiting the Defendant to use the name "Datamatics" or any other trademark / corporate name similar to Datamatics in respect of any good or services so as to pass off or enable others to pass the Company's goods and services as that of the goods or services of the Plaintiff. • The Plaintiff has also claimed damages of Rs. 20 Lacs on account of the alleged suffering and loss to reputation and goodwill. The Plaintiff has further sought a decree for destruction of all the letter heads and labels along with the dyes, articles, papers and thing bearing the impugned corporate name, trade name, trade mark and trading style "Datamatics". Cost has also been prayed. • The Hon'ble High Court vide Order dated December 14, 2000 has restrained the Defendant Company from using the impugned Trademark in relation to any goods or services. • During the pendency of the suit, the Plaintiff has also filed a Contempt Petition against the Company and its directors on the basis that despite the injunction order, the Company has been using the name. • The Defendant has filed their written statement stating that the word Datamatics is a Danish word and is available in the Dictionary and Datamatics means computer science hence the Plaintiff can not have an exclusive right over the word Datamatics. • The Suit, injunction application as well as the contempt petition are pending and coming up for hearing on 17th November 2005.
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3.

Title/Parties	Educomp Datamatics Ltd. ... Appellant Versus Commissioner Directorate of Public Instructions And Others ... Respondents
Claim	
Court	High Court of Madhya Pradesh at Jabalpur.
Stage	Appeal U/s 96 of the Civil Procedure Code against the decree and judgement dated June 19 th , 2003 in Suit No. 6 B/2001.

Facts	- The Appellant has preferred this Appeal against the impugned judgement/decreed passed by the Trial Court on June 19, 2003 in the aforementioned suit wherein, the learned Trial Court decreed the suit awarding Rs. 5,84,000/- plus interest accrued on the FDR kept in the bank and Rs. 4,80,000/- deposited as FDR as security amount returnable after the completion of the project to the Appellant. - The Learned Trial Court further awarded litigation expenses and other related expenses to the Appellant but failed to consider the interest part claimed on the basis that the transaction between the Appellant and the Respondents are solely of commercial nature so, the interest should have been granted at the rate of 24% in case of Rs. 5,84,000/- and 18% on the security deposit of Rs. 4,80,000/-. - The Appellant has contended in appeal that the Trial Court has erred by not awarding interest @24% per annum on Rs. 5,84,000/- (remaining amount of the contract) which was due and payable to the Appellant from 31.03.98 and also failed to consider that the nature of the contract was purely commercial so, the interest was to be awarded keeping in view the rate prevalent in the commercial market. - Further, it has also been contended that the learned Trial also erred by not granting interest @ 18% per annum even if the Appellant has adduced in evidence that the nominal commercial rates by financial institutions is 18% per annum.
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LITIGATION FILED BY THE COMPANY

Civil Disputes

1.

Title/Parties	M/s Educomp Datamatics Ltd. ... Claimant Versus The little Jackey School ...Respondent
Claim	
Court	Hon'ble Shri K. Gangadharan, Sole Arbitrator, Patiala House, New Delhi
Stage	Initial Pleadings
Facts	- The Claimant has filed the claim in respect of compensation and non- performance of the Agreement by the Respondent. - The statement of compensation is to the tune of Rs. 8,43,075/- - The case is in initial stage and no reply or written statement has been filed.

2.

Title/Parties	M/s Educomp Datamatics Ltd. ... Plaintiff Versus Eupharma Laboratories Ltd. & Another ...Respondent
Claim	Recovery of security deposit of Rs. 12 Lacs with interest of 18%
Court	High Court of Bombay, Bombay
Stage	Initial Pleadings

Facts	• The Plaintiff Company has preferred a case against the Defendants under Order XXXVII of Civil Procedure Code on May 31st 2005. • By the dint of Business Agreement executed the Plaintiff and the Defendant No.1, the Plaintiff availed the Business Center premises as made available by the Defendant No.1. • As per the afore-said agreement the Plaintiff deposited a sum of Rs. 20,00,000/- with the Defendant No.1. The Defendant No.1 also executed an indemnity Bond stating their responsibility to refund the security deposit and indemnifying the Plaintiff from any action claim proceeding filed against the Plaintiff by any Banks/Financial Institutions, Secured Creditors or Unsecured Creditors. • After some time the Plaintiff also demanded personal guarantee of some responsible person in charge of Defendant No. 1 for refund of its security deposit. Defendant No. 2 excluded an irrevocable guarantee. • The Plaintiff further states that the Defendant No. 1 was served with the notice under the Securitisation and the Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 by the State Bank of India. • The plaintiff continued to be in position of the said premises even after the attachment. The SBI started demanding monthly compensation payable by the Plaintiff to Defendant No. 1 for the use of the premises which they threatened to physically dispossess the Plaintiff from the said premises. • The Plaintiff sent a notice through its Advocate of 120 days to Defendant No. 1 expressing their intention to terminate the above said Agreement. • The Plaintiff informed the Defendant No.1 that it would vacate and hand over the vacant position to Defendant No.1 on March 14th 2004 against refund of security deposit. The Plaintiff in the light of the above-said notice kept the said premises ready for handing over possession to the Defendant No.1 however Defendant did not refund the balance security of Rs. 12,00,000 after deducting the monthly fees payable for the use of the said premises. • The Defendant No. 1 failed to refund to the Plaintiff its balance security deposit of Rs. 12,00,000, whereby the Plaintiff by its advocate's letter called upon Defendant No. 2 to refund to it its balance security deposit along with 18% interest per annum, pursuant to the personal guarantee given by Defendant No. 2 to pay unconditionally to the Plaintiff. • The Plaintiff was constrained to file the suit for recovery of balance security deposit of Rs. 12 Lacs with interest of 18%. • The case is in the initial stages of pleading there has been no further proceedings.
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Criminal disputes

1.

Title/Parties	M/s Educomp Datamatics Ltd. ...Complainant Versus Mr. Sanatan Prathan ...Accused
Claim	Rs. 1 Lac
Court	Chief Metropolitan Magistrate, Delhi
Stage	Initial Pleadings

Facts	- The Complainant Company has filed a complaint against the accused under Section 138 of Negotiable Instrument Act 1881 for dishonor of two cheques of Rs. 50,000/- each. - Accused was in the employment of the Complainant Company and due to his act the Complainant has incurred some losses. - The Complaint is pending before the Chief Metropolitan Magistrate.
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2.

Title/Parties	M/s Educomp Datamatics Ltd.Complainant Versus 1. M/s Books n CDs Syndicate, ...Accused 2. Mr. Neeraj Kaushal ...Accused
Claim	Rs. 1 Lac
Court	Chief Metropolitan Magistrate, Delhi
Stage	Initial Pleadings
Facts	- The Complainant Company has filed a complaint against the accused under Section 138 of Negotiable Instrument Act 1881, for dishonor of two cheques of Rs. 20,000/- each. - The total amount pending unpaid/arrears is a sum of Rs. 58,467.56/- - The Complaint is pending before the Chief Metropolitan Magistrate.

NOTICES SERVED TO THE COMPANY

- One ex-employees of the Company have issued legal notices on the Company claiming certain amount, medical expenses, house rent, vehicle allowance and compensation for mental agony
- Mr. R. S Singh has served on the Company a Legal Demand Notice claiming a balance amount of Rs. 1 Lac, Rs. 75,000 for medical expenses, house rent and vehicle allowance and Rs. 1 Lac for mental agony giving time of 15 days from the date of the receipt of the notice to pay the same and also reinstate Mr. R. S Singh. However, the Company has given a reply of the legal notice and denied all compensation and suggested that the employee has resigned and has not been told to leave.

LITIGATIONS INVOLVING DIRECTORS OF THE COMPANY**1.**

Title/Parties	Anand Health Care Ltd. ...Complainant Versus Meditech Diagnostic Pvt. Ltd. & Another ... Opposite Party
Claim	Rs. 21,64,750/-
Court / Forum	National Consumer Dispute Redressal Commission Complaint no. 2017/1997
Stage	Final Arguments

Facts	- The Complainant filed the complaint in respect of refurbished equipment, which was provided by M/s Meditech Diagnostic Pvt. Ltd. (hereinafter "the Company") to the Complainant. The Complainant has alleged that despite the fact that there was two years free of cost maintenance agreement and the Company will provide performance bank guarantee in the sum equivalent to 15% of the cost of the equipment for two years. The Company did not perform its services and therefore there has been deficiency in service. Since, the machine has broken down and could not be repaired. - The Complainant has further alleged that the Company in its letter to the Complainant has tried to mislead suggesting that the problem in C-Arm occurred because of burning up of the power supply cord due to power fluctuations/power surge. Based on the allegations of deficiency of service, the Complainant has filed a complaint for claim of Rs. 21,64,750/- against the Company. - A relief was also claimed against Respondent No. 2 i.e. Bank of India as the said bank had refused to invoke the Bank Guarantee. The Hon'ble Commission has passed an order to the effect that no cause of action lies against the Bank of India subsequently the name of Bank was deleted from array of Respondents. - The Company has filed replies and as per the information available Mr. Shantanu Prakash was the Director of the Company. In the reply to the Complaint, the Company has taken a plea that the case is frivolous and devoid of merits. It has also been stated that the Complaint does not fall within the ambit of the Consumer Protection Act. It was further submitted that despite certain recommendations, the Complainant did not adhere to the specifications with regard to the power supply cord and stabilizer. However, no act of deficiency of services can be attributed to the Company. - The Hon'ble Commission had directed the Respondent to verify the present status of the machine and the costs required for the repair and submit a report to the Commission in the same matter. In this regard Mr. Alok Ahluwalia, engineer had visited the premises of the Complainant and has inspected the machine and gave an approximate repair estimate of Rs. 2.5 lacs. - The case is now listed for final arguments on 25th October 2005.
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2.

Title/Parties	M/s SEI Technology Pvt. Ltd. ... Plaintiff Versus Thai Airways & Another ... Defendant
Claim	Suit for recovery of Rs. 15 lacs
Court	Mr. Yashwant Kumar, Additional District Judge, New Delhi suit no. 2302/2000
Stage	Arguments

Facts	- The Plaintiff through its then Managing Director Mr. Shantanu Prakash has filed suit for recovery of Rs. 15 lacs against Thai Airways International Public Company Ltd. and M/s Jeena & Company on the ground that the consignment it had imported from Taiwan was not delivered to it. - The Plaintiff alleges that Defendants had taken the responsibility of the delivery. When the consignment reached India, the respondents arrived unmanifested and therefore the custom authorities confiscated the goods. On the acts of negligence clearly attributable to the defendants has filed the claim towards cost of equipment, loss of profit, reputation and loss of future business prospects. - The defendants have filed their written statement and taken the plea that the plaintiff is not entitled to recover the suit amount. - According to the defendants the liability is limited and further the case is not covered by the Carriage of Goods Act but is covered by the Air Act, 1972 which not only limits the liability but also imposes a period of limitation of two years. - Along with the written statement, defendant no. 1 has filed an application under Order VII Rule 11 CPC for rejection of the plaint. Reply has been filled to the said application. - The case is listed on 13th September 2005 for further proceedings
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3.

Title/Parties	Infraline Technologies (India) Private Limited ... Plaintiff Versus VIEW Enterprises (Mauritius) Limited, Gopal Jain & other ... Defendant
Claim	
Court	Chief Metropolitan Magistrate, Patiala House, New Delhi
Stage	Arguments
Facts	Litigation case involving View Advisors Private Limited, where Gopal Jain is a Director. Infraline Technologies (India) Private Limited ("Infraline Technologies"), a private limited company had filed a Criminal Complaint (Complaint No. 751/03 of 2003) on 8 th May 2003 before the Chief Metropolitan Magistrate, Patiala House, New Delhi, against VIEW Enterprises (Mauritius) Limited ("VIEW Enterprises") and Others including HDFC Bank, wherein Gopal Jain is also a Co-Respondent. VIEW Enterprises had made an equity investment in Infraline Technologies and the basis of the Complaint was for the rights and obligations of VIEW Enterprises arising of the equity investment in Infraline Technologies. VIEW Enterprises and ANR has filed a petition u/s 482 of Code of Criminal Procedure, 1973 for quashing the Criminal Complaint in June 2005. As an interim measure the Delhi High Court vide its Order dated June 29, 2005 ordered a stay on the Proceedings of the Metropolitan Magistrate and the next hearing of the Delhi High Court for quashing of the Complaint shall be heard on September 30, 2005. Gopal Jain was associated with VIEW Enterprises in his previous assignment as Managing Director, India in View Group L.P.

Other than the above:

1. There no litigations against the company or against any other company whose outcome could have a materially adverse effect on the position of the company.
2. There are no litigations against the directors or promoters involving violation of statutory regulations or alleging criminal offence.
3. There are no cases of litigations pending against the Promoters/ Directors in their personal capacities and also involving in statutory regulations or criminal offences;

4. There are no pending proceedings initiated for economic offences against the Company, Directors, its Promoters, Companies and Firms promoted by the Promoters;
5. There are no outstanding litigations, disputes pertaining to the matters likely to effect the operations and financials of the Company including disputed tax liability, prosecution under any enactment in respect of Schedule XIII of the Companies Act, 1956;
6. None of the Directors have any litigation towards tax liabilities, or any criminal/civil prosecution against them for any offences (irrespective of whether "specified in paragraph (i) of Part I of Schedule XIII of the Act.);
7. There are no litigations outstanding against the Promoters/ Directors in their personal capacity. The Company, its Promoters and other Companies with which promoters are associated have neither suspended by SEBI nor has any disciplinary action been taken by SEBI. There are no prosecution launched by Income Tax Authorities and no liability compounded by the Promoters/Company/Other Ventures with which the Promoters are associated is subsisting;
8. There are no cases of pending litigations/ defaults in respect of firms/ Companies with which the Promoters are associated in the past but are no longer associated.
9. There are no overdue, defaults to the Financial Institutions/ Banks, Re-schedulement of Loans to Banks/FILs and dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares by the Promoters and the Companies/Firms promoted by the Promoters or by the Company. There are no pending offences of non-payment of statutory dues by the Promoters of the Company.

Material Developments since the last Balance Sheet

In the opinion of the Board of Directors of our Company, there have not arisen, since the date of last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of our Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

2. Government Approvals

The Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government authorities required for its present business and no further approvals are required for carrying on the present business as well as proposed business except as mentioned below.

The Company has received the following licenses/permissions/approvals:

Government Approvals / Licensing Arrangements:

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying on its business.

Sr. No.	Issuing Authority	Registration /License No.	Nature of Registration License	Validity
1.	Registrar of Companies	55 - 61353	Certificate of Incorporation	-
2.	Superintendent Service Tax	DL-I/ST/M&R/1739/EDL/04	Service Tax – for Repair an Maintenance of Companies	-
3.	Comm. Of Sales Tax, Delhi	LC/44/201933/0398	Delhi Sales Tax	-
4.	Comm. Of Sales Tax, Central	LC/44/201933/0398	Central Sales Tax	-
5	Comm. Of Sales Tax, Karnataka	90208225	Karnataka Sales Tax	-
6.	Comm. Of Sales Tax, Central	90258228	Central Sales Tax	-
7.	Comm. Of Sales Tax, Mumbai	400099/S/1571	Mumbai Sales Tax	
8.	Comm. Of Sales Tax, Central	400099/C/1378	Central Sales Tax	-
9.	Income Tax Department	AAACE2983M	PAN	-
10.	Income Tax Department	DELE01691E	TAN	-
11.	Regional Provident Fund Commissioner	DL/18844	Provident Fund	-

Applied for, not received

Sr. No.	Issuing Authority	Status	Nature
1.	Trade Marks Registry, Delhi	Applied for	Trademark “Ecampus”
2.	Trade Marks Registry, Delhi	Applied for	Trademark “EduNET”
3.	Trade Marks Registry, Delhi	Applied for	Trademark “Planet Vidya

			Your education destination”
4.	Trade Marks Registry, Delhi	Applied for	Trademark “Educomp What learning can be”
5.	Trade Marks Registry, Delhi	Applied for	Trademark “Educomp Smart class program EMPOWERING TEACHERSWITH TECHNOLOGY IN CLASS”
6.	Trade Marks Registry, Delhi	Applied for	Trademark “Roots of Wings An Educomp Research Initiative”

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 August 18, 2005 and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, 1956, at an EGM of our Company held on August 22, 2005.

Prohibition by SEBI

Neither we, nor our directors, any of our Associates or Group Companies, and Companies with which our directors are associated, as directors or promoters, have been prohibited from accessing the capital market under any order or directions passed by SEBI.

None of the Promoters, their relatives, the Company or the Promoter Group Companies are detained as willful defaulters by RBI/ government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

The listing of any securities of the Issuer has never been refused at anytime by any of the stock exchanges in India.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, our Company may make an initial public offering of equity shares or any other securities which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

- We have net tangible asset of at least Rs. 300 lakhs in each of the 3 preceding full years (of 12 months each) of which not more than 50% is held in monetary assets.
- We have 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.
- We have a pre-issue Net Worth of at least Rs. 100 lakhs in each of the preceding 3 full years (of 12 months each).
- The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times the pre-issue net worth as per the audited balance sheet of the last financial year.

The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Draft Red Herring Prospectus under the section "Financial Information", as at, and for the last five years ended FY 2005 are set forth below:

(Rs. in lacs)

Financial Year	Quarter ended June05	FY05	FY04	FY03	FY02	FY01
Net Tangible Assets	805.83	706.81	579.14	498.84	471.07	379.04
Monetary Assets	241.09	305.59	129.73	105.60	104.68	187.06
Distributable Profits (Restated)	80.87	632.88	146.70	189.61	169.09	115.76
Net Worth	2420.42	2339.55	1706.67	1559.97	1430.20	1261.11

- (1) Net Tangible Assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities) and secured as well as unsecured long term liabilities and non-trade investments.
- (2) Monetary Assets are defined as the sum of cash on hand, Non Trade Investments, Balance with Scheduled Bank in Current accounts and Fixed Deposits and balance with Post Office Savings account.
- (3) Net Worth includes equity share capital and reserves (net off miscellaneous expenditure not written off)

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS VIZ, SBI CAPITAL MARKETS LIMITED AND KARVY INVESTOR SERVICES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS VIZ, SBI CAPITAL MARKETS LIMITED AND KARVY INVESTOR SERVICES LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED [•] IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**
- 3. WE CONFIRM THAT:**
 - A. THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**

- C. THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
 - D. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID;
 - E. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
4. WE CERTIFY THAT A WRITTEN CONSENT FROM THE SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS A PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTIONS 56, 60 AND 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 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 ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS."

Disclaimer from the Issuer and the BRLM

We, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our web site www.edumatics.com, would be doing so at his or her own risk.

Caution

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between BRLMs and us dated September 8, 2005 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by the BRLMs and us to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at Bidding Centers etc.

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, 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, or any other Trust law and who are authorized under their constitution to hold and invest in shares), permitted insurance companies and pension funds and to permitted Non-Residents including NRIs and FIIs and eligible foreign investors on repatriable/ non-repatriable basis. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to 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 Draft Red Herring Prospectus comes is required to inform himself 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 New Delhi 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 Draft Red Herring Prospectus has been submitted to the SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft 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 Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated [●] permission to the Company to use the BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. The BSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

BSE does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated [●], permission to us to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our 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 Crores and the market capitalization shall not be less than Rs 25 Crores 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 us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any of our securities may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai-400021.

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 60B of the Companies Act would be delivered for registration to the Registrar of Companies, NCT of Delhi and Haryana, B-Block, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi – 110003 and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the ROC.

Listing

The initial listings applications have been made to The Stock Exchange, Mumbai (BSE) (Designated Stock Exchange) and The National Stock Exchange of India Limited (NSE) for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Draft Red Herring Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of the Issue Closing Date or whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under Section 73 of the Companies Act 1956.

Our company with the assistance of the Book Running Lead Managers shall ensure that all steps for the completion of necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven days of finalisation of the basis of allocation 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, 1956 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) our Directors, the Company Secretary, Compliance Officer, the Auditors, Bankers to the Company; and (b) Book Running Lead Managers to the Issue and Bankers to the Issue, Syndicate Members, Escrow Collection Bankers, Registrars to the Issue and Legal advisors to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of this Draft Red Herring Prospectus with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi, as required under Sections 60 and 60B 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 Registrar of Companies, NCT of Delhi & Haryana at New Delhi.

M/s Anupam Bansal & Co., Chartered Accountants, our Statutory Auditors, have given their written consent to the inclusion of their report and tax benefits in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Expert Opinion

The Company has not obtained any expert opinions related to the present Issue, except as stated elsewhere in this Draft Red Herring Prospectus.

Expenses of the Issue

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

Activity	Expenses (Rs. in Lakhs)	% of Total Issue Expenses	% of Total Issue Size
Lead management, underwriting and selling commission	[•]	[•]	[•]
Advertisement & Marketing expenses	[•]	[•]	[•]
Printing, stationery including transportation of the same	[•]	[•]	[•]
Others (Registrar's fees, Legal fee, Listing fee etc.)	[•]	[•]	[•]
Total estimated Issue Expenses	[•]	[•]	[•]

Fees Payable to the BRLMs, Brokerage and Selling Commission

The total fees payable to the BRLMs including brokerage and selling commission for the Issue will be as per the Memorandum of Understanding executed between the Company and the BRLMs dated [•], copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar dated [•], copy of which is available for inspection at our registered office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

Previous Public and Rights Issues during the Last Five Years

This is the first Public Issue of the Company.

Previous Issues of Shares Otherwise than for Cash

On March 29, 2001, the Company has allotted 40,66,710 Equity Shares of the face value of Rs. 10 each as bonus shares in the ratio of 10:1 by capitalization of Rs. 4,06,67,100 from the free reserves.

On August 2, 2005, the Company has allotted 6486402 Equity Shares of the face value of Rs. 10 each as bonus shares in the ratio of 1.45:1 by capitalization of Rs. 6,48,64,020 from the free reserves.

Commission and Brokerage paid on Previous Issues by Educomp

Educomp has not made any public or rights issue since its inception and has not paid any commission or brokerage.

Particulars in regard to the Company and other listed companies under the same management within the meaning of Section 370(1A) of the Companies Act, 1956 which made any capital issue during the last 3years

There are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act 1956 which has made any capital issue during the last 3 years.

PROMISE VIS-A-VIS PERFORMANCE**(A) LAST THREE ISSUES MADE BY EDUCOMP SOLUTIONS LTD.**

This is the first Public Issue of the Company. Therefore, no information is required to be given under this head.

(B) LAST ISSUE OF THE LISTED VENTURES OF PROMOTER GROUP

There is no listed venture of Promoter Group.

Outstanding Debentures, Bonds, Redeemable Preference Shares or other Instruments

The Company since its incorporation has not issued any Redeemable Preference shares and debentures, bonds or other instruments.

Stock Market Data for our Equity Shares

This being the first Public Issue of the Company, no Stock Market data is available.

Mechanism for Redressal of Investor Grievances

Investor's grievances will be settled expeditiously and satisfactorily by the Company. The agreement between the Company and the Registrar to the Issue will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, refund orders, demat credit, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue – Intime Spectrum Registry Ltd., giving full details including name, address of the applicant, application number of Equity Shares applied for, amount paid on application, Depository Participant, and the respective member of the Syndicate or bank branch or collection center where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mrs. Sangeeta Gulati, as the Compliance Officer and she may be contacted in case of any pre-Issue or post-Issue-related problems. She can be contacted at the following address:

Educomp Solutions limited
1211, Padma Towers-I,
5, Rajendra Place,
New Delhi-110008
Email: investorgrievances@edumatics.com

There are no listed Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.

Changes in Auditors during the last three years and reasons thereof

Name of the Auditor	Date of Appointment	Date of Cessation	Reason
M/s. BSR & Co.,	October 2, 2001	September 22, 2003	Resignation
M/s. Anupam Bansal & Co.	November 5, 2003	They have consistently been re-appointed in the subsequent AGMs	Appointment

Capitalization of Reserves or Profits (during the last five years)

- 40,66,710 Equity Shares of the Company was allotted as bonus in the ratio of 10 shares for every 1 share held in the Company by capitalisation of Rs. 406.67 lacs from the free Reserves
- 64,86,402 Equity Shares of the Company was allotted as bonus in the ratio of 1.45 shares for every 1 share held in the Company by capitalisation of Rs. 648.64 lacs from the free Reserves

Revaluation of Assets (during the last five years)

The Company has not revalued its assets during the last five years.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws 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, the Government of India, Stock Exchanges, FIPB, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares of the Company including rights in respect of dividends. The persons in receipt of Allotment will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by our Company after the date of Allotment.

Mode of payment of Dividend

The declaration and payment of dividend 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.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of this Draft Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to 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;
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our 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 Articles of Association of the Company” on page 197 of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. As per existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is compulsorily in dematerialized mode, the tradable lot is One Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one (1) Equity Shares subject to a minimum Allotment of [●] Equity Shares to the successful bidders. For details of allotment or allocation, see “Issue Procedure – Basis of Allocation” on page no. 172 of this Draft Red Herring Prospectus.

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 registered office of the Company or at the Registrar and Transfer Agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other 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 dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If an investor needs to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight (8) days after we become liable to pay the amount (i.e., 60 days from the Bid/Issue Closing Date), we and every director of the Company who is an officer in default, becomes liable to pay interest prescribed under Section 73 of the Companies Act.

Withdrawal of the issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue after the bidding. In case the Company decides so, it shall issue a public notice within two days of the closure of bidding, indicating the reasons for withdrawal of offer in the newspapers in which the bid advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the shares are proposed to be listed.

Arrangement for Disposal of Odd Lots

The Company's share will be traded in dematerialized form only and therefore marketable lot is one (1) share. Therefore, there is no possibility of any odd lots.

Restrictions, if any, on Transfer and Transmission of Shares and on their Consolidation/Splitting

For the description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer sub-heading "Main Provisions of the Articles of Association of Educomp Solutions Ltd." of this Draft Red Herring Prospectus.

Subscription by Non Residents/NRIs/ FIIs

There is no reservation for any Non-Residents, NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI and such Non-Residents, NRIs, FIIs, Foreign Venture Capital Fund applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the US Securities Act, 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.

ISSUE STRUCTURE

The Present Issue of 40,00,000 Equity Shares of Rs. 10/- each at the Issue price of Rs. [•] for cash aggregating Rs. [•] Lacs is being made through 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail individual Bidders
Number of Equity Shares*	Upto 20,00,00 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 6,00,000 Equity Shares or Issue less allocation to QIB Bidders and Retails Individual Bidders.	Minimum of 14,00,000 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue Size Available for allocation	Upto 50% Issue or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 15% of Issue or Issue less allocation to QIB Bidders and Retails Individual Bidders	Minimum of 35% of Issue or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [•] Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [•] Equity Shares thereafter	[•] Equity shares and in multiples of [•] Equity Share thereafter
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid amount does not exceeds Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can apply	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, 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 and state Industrial Development Corporations, permitted insurance companies registered	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid amount does not exceeds Rs. 1,00,000 in value.

	with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakhs and pension funds with minimum corpus of Rs. 2500 lakhs in accordance with applicable laws.		
Terms of Payment	Margin Amount applicable to QIBs at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Non institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	NIL	Full Bid amount on Bidding	Full Bid amount on Bidding

*Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in any of the categories, would be allowed to be met with spillover from any other portions at the Company's discretion, in consultation with the BRLMs.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% book building method under clause 2.2.1 of SEBI (DIP) Guidelines, 2000, wherein up to 50% of the Issue shall be allocated on a discretionary basis to QIBs. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 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.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLMs, reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reasons therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

We, in consultation with the BRLMs would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to, the following: prior commitment, investor quality, price, earliness of bid, existing and continued shareholding of QIBs during the period prior to the Bid/Issue Opening Date and until the date of pricing.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Illustration of Book Building and Price Discovery Process (Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 20 to Rs 24 per share, issue size of 3000 Equity Shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding 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	24	500	27.77
1000	23	1500	83.33
1500	22	3000	166.67
2000	21	5000	277.78
2500	20	7500	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 quantum of shares is the price at which the book cuts off i.e. Rs 22 in the above example. The issuer, in consultation with the BRLMs, will finalise the issue price at or below such cut off price i.e. at or below Rs 22. All bids at or above this issue price and cutoff bids are valid bids and are considered for allocation in respective category.

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 allotment of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian Public or NRIs applying on a non-repatriation basis	[•]
Non-residents including NRIs or FIIs applying on a repatriation basis	[•]

Who Can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
- 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;
- Provident funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
- Pension funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
- Multilateral and bilateral development financial institutions;
- Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in equity shares;
- Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable local laws; and
- Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.

Pursuant to the existing regulations, OCBs are not eligible to apply in this Issue.

Note: The BRLMs, members of the Syndicate and any associate of the BRLMs, and members of the Syndicate (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 and

will not be eligible as a QIB in this Issue unless otherwise permitted by SEBI. Further, the BRLMs and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. **Persons against whom there are prevailing restraint orders on buying, selling or dealing in securities are not entitled to apply in this issue.**

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

Maximum and Minimum Bid size

- (a) **For Retail Bidders:** The Bid must be for minimum [•] number of Equity Shares and in multiples of [•] Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off option is an option 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.
- (b) **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 payable by the Bidder exceeds Rs. 1,00,000 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 applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.**

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000, for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion.

Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off' Price.

Information for the Bidders

- a) The Company will file this Draft Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- b) The members of the Syndicate will circulate copies of this Draft Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
- c) Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of this Draft Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from the registered office of the Company or from the BRLMs, or from a member of the Syndicate.
- d) The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.
- e) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLMs or Syndicate Members or their authorized agent(s) to register their Bid.

Method and Process of bidding

1. We, with the BRLMs shall declare the Bid Opening /Issue Opening Date, Bid Closing /Issue Closing Date and Price Band in the Red Herring Prospectus filed with RoC and publish the same in two widely circulated national newspapers (one each in English and Hindi). This advertisement shall contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The members of the

Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

2. Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be a minimum of 3 (three) working days and not exceed 7 (seven) working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional 3 (three) working days, subject to the total Bidding Period not exceeding 10 (ten) working days.
4. During the Bidding Period, the Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
5. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” on page 177 of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
6. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph “Build up of the Book and Revision of Bids” on page 181 of this Draft Red Herring Prospectus.
7. The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum application Form.
8. During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
9. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled “ Issue Procedure - Terms of Payment and Payment into the Escrow Account” on page 180 of the Draft Red Herring Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of [●].
2. In accordance with SEBI Guidelines, our Company, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the Floor of the Price-band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Draft Red Herring Prospectus.
3. In case of revision in the Price Band, the Issue Period will be extended for 3 (three) additional days after revision of Price Band subject to a maximum of 10 (ten) working days. Any revision in the Price

Band and revised Bidding period/Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and also indicating the change on the relevant websites of the BRLMs, our Company and the terminals of the members of the Syndicate.

4. We, in consultation with the BRLMs, can finalise the Offer Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders 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.**
6. Retail Individual Bidders 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 bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the respective Escrow Account / refund account(s)
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000, the Bid will be considered for allocation under the Non-Institutional category in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders 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 respective Escrow Accounts/refund account(s).
9. 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 Amount payable on such Minimum Application is not in the range of Rs. [●] to Rs. [●].

Option to Subscribe

Equity Shares being issued through this Draft Red Herring 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 dematerialized segment of the Stock Exchanges.

Application by Mutual Funds

In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:

1. 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 by index funds or sector or industry specific funds.
2. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each Scheme of the mutual fund with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Application by NRIs

Bid cum application forms have been made available for NRIs at the registered office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company (i.e. 10% of [•] Equity Shares of Rs. 10/- each). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our 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, till date, no such resolution has been recommended to the shareholders of our Company 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 the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/foreign venture capital investor. . 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.

The above information is given for the benefit of the Bidders. We and the BRLMs 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.

Escrow Mechanism

1. We 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 amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the 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 with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection banks as per the terms of the Escrow Agreement with our Company and the Draft Red Herring Prospectus.

2. The Bidders should note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the members of the Syndicate, Escrow Collection Bank(s), BRLMs and the Registrars to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder, who is required to pay Margin Amount greater than 0%, shall, with the submission of the Bid-cum-Application Form draw a cheque, 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 paragraph "Payment Instructions" on page 188 of this Draft 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 the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds whose bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account/ Refund Account with the Banker(s) to the Issue, as applicable. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders (i.e. QIBs, Non Institutional Bidders, Retail Individual Bidders and Employee Bidders) 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 heading "Issue Structure" on page 172 this Draft Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date, failing which the Company shall pay interest @15% per annum for any delay beyond the periods mentioned above.

Electronic Registration of Bids

- a. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city, where a Stock Exchange is located in India and the Bids are being accepted.
- b. NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/ Issue Period. Members of the Syndicate 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 regular basis. On the Bid Closing Date/ Issue Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- c. The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bidding period/Issue Period.

- d. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
- Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, 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).
 - 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.
 - Depository Participant Identification No. and Client Identification No. of the demat 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 members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. In case of QIB Bidders the members of the Syndicate also has the right to accept the Bid or reject it without assigning any reason. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds.
- h. It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any scheme or project of our Company.
- i. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; 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 Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

- a. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an online basis. Data would be updated on a regular basis.
- b. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- c. During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- d. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of 3 (three) working days, subject to the total Bidding Period not exceeding 10 (ten) working days. The cap on the Price Band should 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 the Draft Red Herring Prospectus.

- e. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by using a public notice in two national newspapers (one each in Hindi and English) and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
- f. Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- g. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she has placed the original Bid. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- h. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- i. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- j. In case of discrepancy of data between NSE or BSE and members of the Syndicate, the decision of the BRLMs based on the physical records of NSE or BSE shall be final and binding to all concerned.

Price Discovery and Allocation

- a. After the Bid/Issue Closing Date, the BRLMs shall analyze the demand generated at various price levels and discuss pricing strategy with us.
- b. The Company, in consultation with the BRLMs shall finalise the "Issue Price", the number of Equity Shares to be allotted in each portion and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder and the size, price and time of the Bid.
- c. The allocation for QIBs would be upto 50% of the Issue Size would be discretionary. The allocation to Non-Institutional Bidders of not less than 15% and Retail Individual Bidders of not less than 35% of the Issue Size, respectively, would be on proportionate basis, in the manner specified in SEBI Guidelines, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d. Allocation to QIBs, Non Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by RBI while granting permission for Allotment of Equity Shares to them.
- e. Under subscription, if any, in any category would be allowed to be met with spill over of demand from any of the other categories at the sole discretion of the Company, in consultation with the BRLMs.
- f. The BRLMs, in consultation with us shall notify the Members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

- g. We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever.
- h. In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid / Issue Closing Date.

Signing of Underwriting Agreement and ROC Filing

- a. Our Company, the BRLMs, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- b. After signing the Underwriting Agreement, the company will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi). 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. Any material updates between the date of the Draft Red Herring Prospectus and the date of the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

- a. The BRLMs or Registrars to the Issue shall send to the Syndicate Members, a list of their Bidders who have been allocated Equity Shares in the Issue.
- b. The BRLMs or members of the Syndicate would then 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 a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full amount into the Escrow Account by the Pay-in Date specified in the CAN.
- c. Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrars 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 deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for allotment to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

- a. The Company will ensure that the Allotment of the Equity Shares is done within 15 days of the Bid/Issue Closing date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated date, the Company would ensure the credit to the successful Bidders depository account Allotment of the Equity Shares to the allottees within two working days of the date of allotment.
- b. 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-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- c. 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 the 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% p.a.

- d. **Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

General Instructions

Do's:

- a. Check if you are eligible to apply;
- b. Read all the instructions carefully and complete the Resident Bid-cum-Application Form ([•] in colour) or Non-Resident Bid-cum-Application Form ([•] in colour), as the case may be;
- c. Ensure that the details about Depository Participant and Beneficiary Account are correct, as Allotment of Equity Shares will be in the dematerialised form only;
- d. Ensure that the 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;
- e. Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;
- f. Ensure that you have been given a TRS for all your Bid options;
- g. Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- h. Ensure that the Bid is within the price band;
- i. Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application; and
- j. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

Don'ts:

- a. Do not Bid for lower than minimum Bid size;
- b. Do not Bid or revise the Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- c. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- d. Do not pay Bid amount in cash;
- e. Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only
- f. Do not Bid at cut off price (for QIB Bidders, Non-Institutional Bidders for whom the Bid Amount exceeds Rs.1,00,000);

- g. Do not fill up the Bid cum Application Form for an amount that exceeds the Issue size/ investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws / regulations.

Instructions for Completing the Bid-Cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the Syndicate Members.

Bids and Revisions of Bids

- a. Bids and revisions of Bids must be:
- b. Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable ([•] colour for Resident Indians and [•] colour for NRI or FII or foreign venture capital fund registered with SEBI applying on repatriation basis).
- c. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- d. The Bids from the Retail Individual Bidders must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum of Rs. 1,00,000.
- e. 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 or regulations.
- f. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- g. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule 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

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S 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 of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("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 and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorised the depositories to provide, upon request, to the Registrar to 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, the address and other details given by the Bidders in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither we nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, 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 & Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, the Issuer reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FII's, 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 along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by provident fund with the minimum corpus of Rs. 2500 Lakhs and pension fund with the minimum corpus of Rs. 2500 Lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investors registered with SEBI, 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 reasons thereof.

We, in our absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as the Company/BRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by NRIs

NRI Bidders will have to comply with the following:

1. Individual NRI Bidders can obtain the Bid-cum-Application Forms from the Company's registered office or from members of the Syndicate or the Registrars to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application form meant for Resident Indians ([•] in colour).

Bids by non-residents including NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis.

Bids and Revision to Bids must be made:

- On the prescribed Bid cum Application Form or Revision Form, as applicable ([•] in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three)
- **By NRIs** – For a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid amount of Rs. 1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs. 1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see "Maximum and Minimum Bid Size" at page 176 of this Draft Red Herring Prospectus.
- **By FIIs** - For a minimum of such number of Equity Shares and in multiples of [•] thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details see "Maximum and Minimum Bid Size" at page 176 of this Draft Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs or in the names of Foreign Venture Capital Fund but not in the names of minors, OCBs, 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 NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

The Company shall open an Escrow Accounts of the Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for the 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 to the Issue

1. The Bidders for whom the applicable Margin Amount is equal to 100% shall, 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 member 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, 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 BRLMs.
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: “[•]”
 - b. In case of Non Resident Bidders: “[•]”

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an 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 to the Special Rupee Account.

4. Where a Bidder has been allocated a lesser number of Equity Shares than what 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. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date.
6. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
7. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheque/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts shall be submitted to the Members of the Syndicate at the time of submitting the Bid-cum-Application Form. **The Members of the Syndicate may at their 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 submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or 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.

Procedure for Application by Mutual Funds

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all 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 I.T. 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 who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.

Unique Identification Number – MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above, it shall be compulsory for specified investor being a body corporate making application in this Issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application form.

Application forms from specified investors being body corporate not providing their UIN or UIN application status in cases, which have applied for such UIN before December 31, 2004, shall be liable to be rejected.

Our Right to Reject Bids

The Company and the BRLMs 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 would have a right to reject bids based on technical grounds. Consequent refunds shall 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 among others on the following technical grounds:-

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. 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;

5. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
6. PAN photocopy/ PAN Communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
7. Submission of the GIR number instead of the PAN;
8. UIN Number not given for Body Corporates;
9. Bids for lower number of Equity Shares than specified for that category of investors;
10. Bids at a price less than the lower end of the Price Band;
11. Bids at a price more than the higher end of the Price Band;
12. Bids at cut-off price by Non-Institutional and QIB Bidders;
13. Bids for number of Equity Shares, which are not in multiples of [●];
14. Category not ticked;
15. Multiple bids as defined in this Draft Red Herring Prospectus;
16. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
17. Bids accompanied by Stock invest/money order/ postal order/ cash;
18. Bids not duly signed by the sole/joint Bidders;
19. Bid-cum-Application Form does not have the stamp of the BRLMs or Syndicate Members;
20. Bid-cum-Application Form does not have Bidder's depository account details;
21. 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;
22. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at [●] of this Draft Red Herring Prospectus.
23. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity;
24. Bids by OCBs;
25. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among the Company, the Depositories and the Registrar to the Issue:

1. An Agreement dated [•] among NSDL, the Company and [•].
2. An Agreement dated [•] among CDSL, the Company and [•].

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his/her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
- c) Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
- e) Non-transferable allotment advice or refund orders will be directly send to the Bidders by the Registrar.
- f) 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.
- g) 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.
- h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed have electronic connectivity with NSDL and CDSL.
- i) The trading of Equity Shares of the Company would only be in dematerialized form only for all investors in the demat segment of the respective Stock exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

The company has appointed Mrs. Sangeeta Gulati as Compliance Officer. She can be contacted at:

Educomp Solutions Limited
 1211, Padma Tower 1,
 5, Rajendra Place,
 New Delhi-110008
Tel: (011) 25755920
Fax: (011) 25766775
E-mail: investorgrievances@edumatics.com

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

Disposal of Applications and Applications Money and Interest in case of Delay in Dispatch of Allotment Letter/ Refund Orders

The Company shall ensure dispatch of allotment advice or refund orders and giving of benefit to the beneficiary account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. The Company shall ensure the dispatch of refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and dispatch of refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

The Company shall use its 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 SEBI Guidelines, the Company further undertakes that:

1. Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
2. The Company would ensure dispatch of refund orders within 15 days of the Bid/Issue Closing Date; and
3. The Company 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 dematerialized credits are not made to investors within the 15 day time prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

The Company will provide adequate funds required by the Registrars to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by the Company as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

- a. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- b. otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

Shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment or Allocation

1. 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 allocation to all the successful Retail individual Bidders will be made at the Issue Price.

- The Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 14,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 14,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares or in multiples of [•] Equity Share. For the method of proportionate basis of allocation, refer below.

2. 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 allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 6,00,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/ application size of [•] Equity Shares. For the method of proportionate basis of allotment refer below.

3. 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 QIBs will be made at the issue price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- The allocation would be decided by the Company in consultation with the BRLMs and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall not be more than [•] Equity Shares.

Procedure and Time Schedule for allotment of Equity Shares

The Company and the members of the Syndicate reserve the right to accept or reject any Bid without assigning any reason thereof in case of QIB. In the case of Non-Institutional Bidders and Retail Individual Bidders, the company has the right to reject the Bid based on technical grounds. 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 the allotment of the 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 dematerialized credits are not made to investors within two working days from the date of allotment.

Method of Proportionate Basis of Allocation in the Retail and Non-Institutional Portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

- a. The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- b. Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- c. If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- d. In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be Allotted a minimum of [●] Equity Shares;
 - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
- e. If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

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 the basis of allotment of Equity Shares. 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 the SEBI guidelines, we further 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 and refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.
- We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

UNDERTAKING BY THE COMPANY

The Company undertake as follows:

- a. that the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. that all steps shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- c. that the funds required for dispatch of refund orders / allotment advice/ certificates by registered post or speed post shall be made available to the Registrar to the Issue by the Issuer;
- d. that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- e. that no further issue of Equity Shares shall be made until the Equity Shares Offered through this Draft Red Herring Prospectus are listed or until the Bid Money's are refunded on account of non-listing, under-subscription etc.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- a. all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956;
- b. details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
- c. details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.
- d. our company will 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.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of the Government of India, or the Industrial Policy, and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, 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. When required, the Government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India or the FIPB and the RBI.

The Company comes under the automatic route and there is, therefore, no necessity for the non-resident Bidders to make separate applications seeking permission from the FIPB and RBI.

The above information is given for the benefit of the bidders and neither the Company nor the BRLMs are liable for any changes after the date of this Prospectus.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

I. PRELIMINARY

1. Save as may be otherwise provided for in these Articles, the Regulations contained in Table 'A' of Schedule I to the Companies Act, 1956, as applicable to a public limited company, shall apply to the Company.

II. INTERPRETATION

2. (1) In these Regulations: -
 - (a) The 'Act' means the Companies Act, 1956, as amended from time to time.
 - (b) "Articles" mean these Articles of Association of the Company.
 - (c) "Beneficial Owner" mean beneficial owners as defined in clause (a) of sub-section (1) of section 2 of the Depositories Act, 1996.
 - (d) "Chairman" means the chairman for the time being of the Board of Directors.
 - (e) "Company" means Educomp Datamatics Limited.
 - (f) "Depositories Act, 1996" means the Depositories Act, 1996 and any statutory modification or re-enactment thereof.
 - (g) "Depository" means a Depository as defined in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996.
 - (h) The "Directors" means the Directors of the Company and include persons occupying the positions of Directors by whatever name called.
 - (i) "Exchange" means the stock exchange or exchanges where the shares of the Company are listed for the time being.
 - (j) "Member" or "Shareholder" means a person:
 - (i) Whose name is entered in the register of Members as holding any share(s) either solely or jointly;
 - (ii) Subscribers to the memorandum of the Company; and
 - (iii) Beneficial Owner(s).
 - (k) "Securities" mean shares, debentures or other securities as may be specified by the Central Government, Securities and Exchange Board of India or any other concerned authority from time to time.
 - (l) 'The Seal' means the Common Seal of the Company.
 - (2) Unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Act or any statutory modification thereof in force.

III. CAPITAL

3. Notwithstanding anything contained contrary in this Article, the Company shall subject to the provisions of the Act, and particularly of sections 77A, 77AA, and 77B thereof, and the Regulations made hereunder have the power to buy back its own shares or other specified securities. .,
4. The authorised share capital of the Company is such as stated in Clause V of the Memorandum of Association of the Company as amended , from time to time. The Company has the power from time to time to increase or reduce its capital. Any of the said shares and new shares hereafter to be created may, from time to time, be divided into shares of several classes in such manner as may be provided hereinafter. The shares of each class may have or confer such preferential or other special rights and privileges and may be issued under such restrictions and conditions whether in regard to dividend, voting, distribution of assets or otherwise as may be permitted by the Act or by the Articles of Association but so that the special rights or privileges conferred on holders of any share issued with preferential or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be varied or abrogated or affected by the creation or issue of further shares ranking pari passu therewith. Subject to the provisions of Section 80 of the Act, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may, by special resolution, determine.

- 5A. Subject to the provisions of Section 81 of the Act, if it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued share capital or out of increased share capital, then such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on these shares at that date.
- 5B. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined & Such offer shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person .
- 5C After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.
6. Subject to these Articles and the provisions of the Act, the shares of the Company whenever issued shall be under the control and the disposal of Board of Directors who may allot, issue or otherwise dispose of the same or any of them to such persons or on such terms and condition and at such times and at par or premium or discount as they may, from time to time, think fit and proper. Subject to the provisions of the Act, the Board may also allot and issue shares in capital of the Company in payment or part payment for any property sold or transferred to or for services rendered to the Company in or about the conduct of its business and the shares which maybe so allotted may be issued as fully paid up shares and if so issued deemed to be fully paid up shares.
7. Subject to these Articles and the provisions of the Act, the company may capitalise profits or reserves and issue bonus share at nominal value equal to the amount capitlised to its shareholders upon such terms and conditions, and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and if no direction is given, as the Board may determine.

III(A). DEMATERIALISATION OF SECURITIES

8. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing shares and other Securities; rematerialise its shares and other Securities held with Depositories and/or offer its fresh shares and other Securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed there under and on the same being done, the Company shall further be entitled to maintain a register of Members with the details of Members holding shares both in material and dematerialized form in any media as permitted by law including any form of electronic media, either in respect of existing shares or any future issue and transfer or transmission of any shares or other Securities held in material or dematerialised form.
- 8A. The shares and other Securities of the Company which are held in dematerialised form shall not be progressively numbered and the provisions relating to the progressive numbering shall not apply to the shares or other Securities of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form and no share certificates shall be issued in respect of the shares issued/held in rematerialised form with any Depository and the provisions of regulations 7 and 8 of Table A of Schedule I of the Act shall not apply in this regard.
- 8B. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears as the Beneficial Owner of the shares/ Securities in the records of the Depository as the absolute owner thereof as regards the receipt of dividends or bonus or service of notice and all or any other matters connected with the Company and accordingly the Company shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claims to or interest in such shares/Securities on the part of any other person whether or not it shall have express or implied notice thereof.
- 8C. In the case of transfer or transmission of Securities held by Beneficial Owners with the Depository the provisions relating to the normal transfer or transmission of Securities in respect of the Securities held in the physical mode shall not apply to the transfer of Securities effected by the transferor and

the transferee both of whom are entered as Beneficial Owners in the records of the Depository. In case of transfer or transmission of shares or other Securities where the Company has not issued any certificates in respect thereof and where such shares or Securities are being held in an electronic and fungible form with a Depository, the provision of the Depository Act, 1996 shall apply.

IV. TRANSFER AND TRANSMISSION OF SHARES

9. Subject to these Articles, and Section 111A of the Act, the shares and Securities of the Company shall be freely transferable.
- 9A. The instrument of transfer of any share shall be in writing and the provisions of Section 108 of the Act shall be duly complied with in respect of all transfer of all shares and the registration thereof. The transferor shall be deemed to remain a holder of the shares until the name of the transferee is entered in the register of Members in respect thereof. Provided that nothing contained in Section 108 of the Act shall apply to the transfer of Securities affected by a transferor and a transferee, both of whom are entered as Beneficial Owners in the records of a Depository.
10. The Board of Directors may, subject to the right of appeal conferred by section 111 of the Act, decline to register any transfer of shares (a) where the Company has a lien on the share, or (b) where the share is not a fully paid up share.

V. GENERAL MEETINGS

11. All General Meetings, other than the Annual General Meeting shall be called Extra-Ordinary General Meetings.
12. (1) The Directors may, whenever they think fit, call an Extra-Ordinary General Meeting.

(2) If at any time there are not within India Directors capable of acting who are sufficient in number to form a quorum, any Director or any two members of the Company may call an Extra-Ordinary General Meeting in the same manner, as nearly as possible, as that in which a meeting may be called by the Board.

VI. PROCEEDINGS AT GENERAL MEETINGS

13. (1) No business shall be transacted at any General Meeting unless a quorum of Members is present at the time when the meeting proceeds to business.

(2) Save as is herein otherwise provided, five Members present in person shall be a quorum.
14. The Chairman, if any, of the Board of Directors shall preside as chairman of every General Meeting of the Company.
15. If there is no such Chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman of the meeting, the Directors present shall elect one of their members to be the chairman of the meeting.
16. If at any meeting no Director is willing to act as Chairman or if no Director is present within 15 (fifteen) minutes after the time appointed for holding the meeting, the Members present shall elect one of their number to be chairman of the meeting.
17. (i) the chairman of the meeting may with the consent of any meeting at which a quorum is present and shall, if so directed by the meeting adjourn the meeting, from time to time and from place to place.

(ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(iii) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(iv) Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

18. In the case of equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hand takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
19. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.
- 19A. Subject to any rights or restrictions for the time being attached to any class or classes of shares, (a) on a show of hands, every Member present in person shall have one vote; and (b) on a poll, the voting rights of Members shall be as laid down in Section 87 of the Act.
- 19B. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of Members.
- 19C. No Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

VII. DIRECTORS

20. The business of the Company shall be managed by the Board of Directors who may pay all expenses incurred in getting the Company registered and may exercise all such powers of the Company and to do all acts and things as are not restricted by the Act or by these Articles required to be exercised by the Company in general meeting subject nevertheless to these Articles, to the provisions of the Act and to such regulations not inconsistent therewith and duly made there under, including regulations made by the Company in General Meeting. Nothing shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.
- 20A. (a) The number of Directors for the Company shall not be less than 3 and not more than 12 . Subject to the provisions of the Act, the Company in General Meeting may from time to time increase or reduce the number of Directors within the aforesaid limits.

 (b) All Directors of the Company shall be appointed in accordance with the provisions of Section 255 of the Act. Directors together with the Managing Director not exceeding one-third of the total number of Directors for the time being of the Company shall not be liable to retirement by rotation.

 (c) If a Director appointed by the Company in General Meeting, vacates office as a Director before his term of office will expire in the normal course, the resulting casual vacancy may be filled up by the Board, at a meeting of the Board, but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if the vacancy had not occurred.
21. The first Directors of the Company shall be:
 1. Mr. Shantanu Prakash.
 2. Mrs. Anjlee Prakash.
22. No person, other than a retiring director, shall be elected as a Director (except as a first Director or additional Directors appointed by the Director) unless fourteen days notice shall have been given at the registered office of the Company of the intention to propose himself together with a notice in writing, signed by himself signifying his willingness to be elected.
23. The Directors shall not be required to hold any qualification shares in the Company.
24. Unless otherwise determined by the Company in General Meeting, each Director shall be entitled to receive out of the funds of the Company by way of sitting fee for his services a sum as may decided

by the board of Directors within the limits prescribed by the Central Government from time to time for every meeting of the Board or any committee of the Board of Directors attended by him.

25. The Directors shall also be paid travelling and other expenses of attending and returning from meetings of the Board or any committee of the Board of Directors (including hotel expenses) and any other expenses properly incurred by them in connection with the business of the Company.
26. If any Director, being willing, shall be called upon to perform extra services or to make any special exertions for the purpose of the Company, the Company may, subject to the provisions of the Act, remunerate such Director which is either in addition to or in substitution for any remuneration to which he may otherwise be entitled.
27. Subject to Sections 297 and 299 of the Act, no Director shall be disqualified by his office from contracting with the Company, nor shall any such contract entered into by or on behalf of the Company, in which any Director shall be in any way interested, be avoided nor shall any Director contracting or being so interested be liable to account to the Company for any profit realized by any such contract by reason only of such Director holding that office or of fiduciary relations thereby established but it is declared that the nature of his interest must be disclosed by him at the meeting of the Board of Directors at which the contract is determined if his interest then exists or in any other case at the first meeting of the Board of Directors after he acquires such interest.
28. The Board of Directors shall have the power, at any time and from time to time, to appoint any person as additional Director in addition to the existing Directors but so that the total number of Directors shall not exceed the limits fixed by these Articles. Any Director, so appointed shall hold office only till the next Annual General Meeting but shall be eligible threat for election as Director.
29. Subject to applicable provisions of the Act, the Board of Directors may, from time to time, appoint one or more of them to the office of Managing Director & also to the office of whole time Director(s) on such terms and conditions and at such remuneration as the Board may think fit.
- 29A. Subject to the provisions of Section 313 of the Act, the Board may appoint any person to be an alternate Director to act for a Director (hereinafter in this Article called the original Director) during his absence for a period not less than three months from the State in which meeting of the Board are ordinarily held, but such alternate Directors shall, ipso facto, vacate office if and when the original Director returns to the State in which the meetings of the Board are ordinarily held, subject to Section 313 of the Act.

VIII. PROCEEDINGS OF DIRECTORS

30. The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit subject to Section 285 of the Act, and determine the quorum necessary for the transaction of business and the place and manner in which the meeting shall be called. Subject to Section 287 of the Act, at least two Directors or one third of its total strength, which ever is higher, shall form a quorum. Notice of every meeting of the Board of Directors of the Company shall be given in writing to every Director for the time being in India, and at his usual address in India to every Director
- 30A. A meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, power and discretion by or under these Articles or the Act for the time being vested in or exercisable by the Board.
31. A Director may and on the request of a Director, the Secretary, if any, shall at any time summon a meeting of the Board of Directors.
32. The Directors may and from time to time elect a Chairman who shall preside at the meeting of the Directors and determine the period for which he is to hold office, but if no such Chairman is elected or if at any time, the Chairman is not present the Directors present shall choose one of their numbers to be the Chairman of such meeting.

33. Questions arising at any meeting of the Board of Directors shall be decided by a majority of votes and in the case of an equality of votes, the Chairman shall have a second or a casting vote.

IX. POWERS OF THE DIRECTORS

34. Subject to section 292 of the Act the Board of Directors shall have the right to delegate any of their powers to such managers, agents or other persons as they may deem fit and may at their own discretion revoke such powers.
- 34A. Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to committees of the Board consisting of such member or members of its body, as it thinks fit. Every Committee of the Board so formed shall in exercise of the powers so delegated conform to any regulations that may, from time to time, be imposed on it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board.
- 34B. Save in those cases where a resolution is required by the provisions of the Act to be passed at a meeting of the Board, no resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the members of the Committee, then in India (not being less in number than the quorum fixed for meeting of the Board or Committee, as the case may be) and to all other Directors or members of the Committee, , at their usual address in India, and has been approved by such of them in India or by a majority of such of them as are entitled to vote on the resolution.
35. The Board of Directors shall have powers for the engagement and dismissal of managers, engineers, clerks and assistants and shall have powers of general direction management and superintendence of the business of the Company with full power to do all such acts matters and things deemed necessary, proper or expedient for carrying on the business and concern of the Company, and to make and sign all such contracts and to draw and accept on behalf of the Company all such bills of exchange, hundies, cheques, drafts and other Government papers and instruments as shall be necessary, proper or expedient for the authority and direction of the Company except only such of them as by the Act or by these Articles which are expressly directed to be exercised by share-holders in the general meeting.
- 35A. The Board of Directors shall comply with all provisions of corporate governance as applicable and as may be required by the Securities and Exchange Board of India and/or Exchanges, including the constitution of audit committees, investor's grievance committees, etc.

X. INSPECTION OF ACCOUNTS

36. (1)The Board shall cause proper books of accounts to be maintained under Section 209 of the Act.
(2)Subject to Section 209A of the Act, the Board of Directors shall from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations all books of the Company, or any of them, shall be open to the inspection of Members not being Directors.
(3) Subject to Section 209A of the Act, no Member (not being a Director) shall have any right of inspecting any account book or document of the Company except as conferred by law or authorised by the Board of Directors or by the Company in General Meetings.

XI. SECRECY

37. Every manager, auditor, 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 Board of Directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required to do so by the Directors or by any General Meeting or by the laws of the country and

except so far as may be necessary in order to comply with any of the provisions in these Articles or the Act.

XII. BORROWING POWERS

38. Subject to the provisions of Section 58A and 293 of the Act, the Board of Directors shall have the power, from time to time and at their discretion to borrow, raise or to secure the payment of any sum of money for the purpose of the Company in such manner and upon terms and condition in all respects as they think fit and in particular by the issue of debentures or bonds of the Company or by mortgage charged upon all or any of the properties of the Company both present and future including its uncalled capital for the time being.

XIII. OPERATION OF BANK ACCOUNTS

39. The Board of Directors shall have the power to open bank accounts, to sign cheques on behalf of the Company and to operate all banking accounts of the Company and to receive payments, make endorsements, draw and accept negotiable instruments, hundies, and bills or may authorise any other such person or persons to exercise such powers.

XIV. BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

40. The Board of Directors shall lay before each Annual General Meeting, Profit and Loss Account and Balance Sheet for the financial year of the Company and Balance Sheet made upto the end of the financial year only and audited by a qualified auditor under the provisions of the Act.

XV. AUDIT

41. The first auditors of the Company shall be appointed by the Board of Directors within one month after its incorporation who shall hold the office till the conclusion of first Annual General Meeting.
42. At each Annual General Meeting of the Company, the Company shall appoint auditors to hold office from the conclusion at the Annual General Meeting to the conclusion of the next Annual General Meeting.
43. The Board of Directors may fill up any casual vacancy in the office of the auditors.
44. The remuneration of the auditors shall be fixed by the Company in the Annual General Meeting or in such manner as the Company in the Annual General Meeting determine except that remuneration of the first or any auditors appointed by the Directors may be fixed by the Board of Directors.

XVI. THE SEAL

45. (1) The Board of Directors shall provide for the safe custody of the Seal of the Company.
- (2) The Seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors or of a Committee of the Board authorized by it in that behalf and except in the presence of one of the Directors who shall sign every instrument to which the Seal of the Company is so affixed in his presence. The share certificates will, however, be signed and sealed in accordance with Rule 6 of the Companies (Issue of Share Certificates) Rules, 1960.

XVII. WINDING UP

46. (1) If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively and if in a 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 or which ought

to have been paid up at the commencement of the winding up on the shares held by them respectively.

- (2) On the winding up of the Company, the liquidator may, subject to the provisions of the Act, divide amongst the Members in specie or otherwise the whole or any part of the assets of the Company, whether they shall consist of property of the same kinds or not.
- (3) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members.
- (4) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator shall think fit but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

XVIII. INDEMNITY

47. Subject to Section 201 of the Act, the Chairman, Directors, Auditors, Managing Directors, and others officers for the time being of the Company and any trustees for the time being acting in relation to any of the affairs of the Company and their heirs, executors, shall be indemnified out of the assets and funds of the Company from or against all bonafide suits, proceedings, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done or committed in or about the execution of their duties in the irrespective offices except those done through their willful neglect or default. Any such officer or trustee shall not be answerable for acts, omissions, neglects or default of any other officer or trustee.

XIX. DIVIDENDS AND RESERVES

48. Subject to the rights of Members entitled to share (if any) with preferential or special rights attached thereto, the profits of the Company which it shall, from time to time, be determined to divide in respect of any year or other period shall be applied in the payment of a dividend on the equity share of the Company but so that a partly paid-share shall only entitle the holder with respect thereof to such a proportion of the distribution upon a partly paid-up share and so that where capital is paid up in amount of such share and so that where capital is paid up in advance of calls such capital shall not rank for dividends or confer a right to participate in profits.
49. The Company in General Meeting may by ordinary resolution declare a dividend to be paid to the Members according to their rights and interest in the profit and may, subject to the provisions of Section 207 of the Act, fix the time for payment.
50. No larger dividend shall be declared than is recommended by the Board, but the Company in General Meeting may by ordinary resolution declare a smaller dividend.
51. Subject to the provisions of Section 205 of the Act, no dividend shall be payable except out of the profits of the Company and no dividend shall carry interest against the Company.
52. The declaration of the Board as to the amount of the net profits of the Company shall be conclusive, subject to the provisions of the Act.
53. The Board may, from time to time, pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company.
54. The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
55. Subject to the provisions of these Articles any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each Member

- shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend may be set off against the call.
56. No dividend shall be payable except in cash; provided that nothing in the foregoing shall be deemed to prohibit the capitalization of profits or reserves of the Company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on the shares held by the Members of the Company.
 57. A transfer of shares shall not pass the rights to any dividend declared therein before the registration of the transfer by the Company.
 58. No dividend shall be paid in respect of any share except to the registered holder of such share or to his order or to his bankers but nothing contained in this Article shall be deemed to require the bankers of the registered shareholder to make a separate application to the Company for the payment of the dividend.
 59. Any one of several persons who are registered as the joint-holders of any share may give effectual receipts for all dividends, bonuses and other payment in respect of such share.
 60. Unless otherwise directed in accordance with Section 206 of the Act, any dividend, interest or other moneys payable in cash in respect of a share may be paid by wire transfer to the bank account of the holder/joint holder or by cheque or warrant sent through the post to the registered address of the holder or, in the case of joint-holders, to the registered address of that one of the joint-holders who is the first named in the Register in respect of the joint-holding or to such person and such address as the holder or joint-holders, as the case may be, may direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.
 61. No unclaimed or unpaid dividend shall be forfeited by the Board unless the claim thereto becomes barred by law.
 62. The Board may from time to time before recommending any dividend, set apart any and such portion of the profits of the Company as it thinks fit as reserves to meet contingencies or for the liquidation of any debentures, debts or other liabilities of the Company, for equalization of dividends, for repairing, improving or maintaining any of the property of the Company and for such purposes of the Company as the Board in its absolute discretion thinks conducive to the interests of the Company subject to such rules, if any, prescribed by the Central Government in this behalf and may, subject to the provisions of Section 372A of the Act, invest the several sums so set aside upon such investments (other than shares of the Company) as it may think fit, and from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company, and may divide the reserves into such special funds as it thinks fit with full power to employ the reserves or any parts thereof in the business of the Company, and that without being bound to keep the same separate from the other assets.
 63. All moneys carried to the reserves shall nevertheless remain and be profits of the Company applicable, subject to due provisions being made for actual loss or depreciation, for the payment of dividends and such moneys and all the other moneys of the Company not immediately required for the purposes of the Company may, subject to the provisions of Sections 370 and 372A of the Act, be invested by the Board in or upon such investments or securities as it may select, or may be used as working capital or may be kept at any Bank on deposit or otherwise as the Board may, from time to time think proper.
 64. Any General Meeting may upon the recommendation of the Board that any undivided profits of the Company standing to the credit of the reserves or any capital redemption reserve account or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the part of such capitalized fund be applied on behalf of such shareholders in paying up in full any un-issued shares, debentures or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such

- shareholder in full satisfaction of their interest in the said capitalized sum. Provided that any sum standing to the credit of a share premium account or a capital redemption account may, for the purposes of this Article, only be applied in the paying up of un-issued shares to be issued to Members of the Company as fully paid bonus shares.
65. For the purpose of giving effect to any resolution under the last preceding Article the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates. Where requisite, a proper contract shall be filed in accordance with the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund, and such appointment shall be effective.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts 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 our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, NCT of Delhi & Haryana for registration and also the documents for inspection referred to hereunder, may be inspected at our Registered Office from 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Letter of Engagement dated [] from us appointing SBI Capital Markets Limited and Karvy Investor Services Limited as BRLMs to the Public Issue and their acceptance thereto.
2. Memorandum of Understanding dated [] between our Company and the BRLMs.
3. Letter dated [] from us appointing [•] as the Registrar to the Issue and their acceptance thereto.
4. Memorandum of Understanding dated [] between our Company and the Registrar to the Issue.
5. Escrow Agreement dated [•] between our Company, the BRLM, Escrow Collection Banks and the Registrar to the Issue.
6. Syndicate Agreement dated [•] between the BRLM, the Syndicate Members and our Company.
7. Underwriting Agreement dated [•] between our Company, the BRLM and the Syndicate Members.

Documents for Inspection

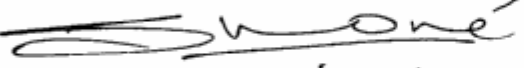
1. Our Memorandum and Articles of Association as amended till date.
2. Our certificate of incorporation dated [•].
3. Our certificate of commencement of business dated [•].
4. Resolution passed by the Board of Directors at a meeting held on [•] recommending the Issue.
5. Special Resolution passed by the shareholders of the Company at an extra ordinary general meeting held on [•].
6. Copies of the annual reports of our Company and other group companies for the last five fiscals.
7. Reports of the Statutory Auditors, M/s Anupam Bansal & Co. Dated [] as per Indian GAAP and included in this Draft Red Herring Prospectus.
8. Consent of our Statutory Auditors, [•] for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
9. A copy of the tax benefit report dated [] from our Statutory Auditors M/s Anupam Bansal & Co.
10. Consents of our Statutory Auditors, Bankers to the Company, the BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker(s) to the Issue, Legal Counsel to the Issue, Legal Advisors to the Company, Directors of the Company, Company Secretary cum Compliance Officer, as referred to, in their respective capacities.
11. In – principle listing approval dated [•] and [•] from NSE and BSE respectively;
12. Tripartite Agreements between (i) NSDL, our Company and _____, Registrar dated []; and (ii) CDSL, our Company and _____, Registrar dated [].
13. Due diligence certificate dated [] to SEBI from the BRLMs;
14. SEBI observation letter No [•] dated [•].

Any of the contracts or the 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.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and fair.

SIGNED BY ALL THE DIRECTORS OF EDUCOMP SOLUTIONS LIMITED

Sd/-  Shantanu Prakash (Managing Director)	Sd/-  Jagdish Prakash (Whole-time Director)
Sd/-  Shonu Chandra (Independent Director)	Sd/-  Sankalp Shrivastav (Independent Director)
Sd/-  Gopal Jain (Independent Director)	

Date: [] 2005
Place: New Delhi