



PRIME FOCUS LIMITED

Registered Office: Anand Kunj, North Avenue, Linking Road, Santacruz (West), Mumbai 400054;

Telephone No.: +91-22 56925000; Fax No.: +91-22 56976310;

Website: www.primefocus.co.in; E-mail: ipo@primefocus.co.in

Contact person: Mr. Nishant Fadia, Compliance Officer; E-mail: ipo@primefocus.co.in

(We were Incorporated on June 24, 1997 as a Private Limited Company under Part IX of the Companies Act, 1956 at Mumbai and converted into a Public Limited Company vide a fresh certificate of incorporation dated April 24, 2000 as 'Prime Focus Limited')

PUBLIC ISSUE OF [•] EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE AGGREGATING RS. 10000 LAKHS BY PRIME FOCUS LIMITED ("THE COMPANY" OR "ISSUER") (THE "ISSUE"). THERE WILL BE A GREEN SHOE OPTION OF [•] EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE AGGREGATING TO RS. 1500 LAKHS. THE ISSUE AND THE GREEN SHOE OPTION AGGREGATE RS. 11500 LAKHS. THE ISSUE WOULD CONSTITUTE [•]% OF THE FULLY DILUTED POST ISSUE PAIDUP CAPITAL OF THE COMPANY ASSUMING THAT THE GREEN SHOE OPTION IS NOT EXERCISED AND [•] % ASSUMING THAT THE GREEN SHOE OPTION IS EXERCISED IN FULL.

PRICE BAND: RS. [•] TO RS. [•] PER EQUITY SHARE OF FACE VALUE RS. 10.

ISSUE PRICE IS [•] TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [•] TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allocated on a proportionate basis to QIB Bidders, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above Issue price. If at least 60% of the Issue cannot be allocated to QIB Bidders, then the entire application money will be refunded forthwith. Further, up to 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

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

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

Prime Focus 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 aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect

LISTING

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

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE	
 Centrum Capital Limited 5th Floor, Khetan Bhavan, 198, J. Tata Road, Churchgate Mumbai 400 020. Tel : +91-22- 2202 3838 Fax: +91-22- 2204 6096 Email: primefocus@centrum.co.in Website: www.centrum.co.in SEBI Regn. no.: INM000010445 AMBI Regn. no.: AMBI/087 Contact Person : Ms. Sangeeta Sanghvi		 Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg Bhandup (W) Mumbai 400 078 Tel : +91-22-25960320 (9lines) Fax : +91-22-25960329 E-mail : primefocus@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Vishwas Attavar	
ISSUE PROGRAMME			
BID/ISSUE OPENS ON	[•]	BID/ISSUE CLOSES ON	[•]

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SECTION: I: DEFINITIONS AND ABBREVIATIONS

Term	Description
The “Company” or “our Company” or “Prime Focus” or “Prime Focus Ltd” or “we” or “our” or “us”	Unless the context otherwise requires refers to Prime Focus Limited, a company incorporated under the Companies Act and carrying on the business of post production facilities relating to different media sectors like Television software, Advertising films and Feature films.

Conventional / General Terms

Term	Description
CDSL	Central Depository Services (India) 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
Depository	A corporate body registered 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.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.
Financial Year / fiscal year / FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
Government/ GOI	The Government of India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
Indian GAAP	Generally accepted accounting principles in India.
Memorandum/ Memorandum of Association	The Memorandum of Association of Prime Focus Limited.
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NSDL	National Securities Depository Limited
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.

SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	The 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.

Issue Related Terms

Term	Description
Allotment	Issue of Equity Shares pursuant to the Issue to the successful Bidders as the context requires.
AGM	Annual General Meeting
Allottee	The successful Bidder to whom the Equity Shares are being/have been issued
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
Banker(s) to the Issue	To be appointed.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of this Draft Red Herring Prospectus.
Bid Opening Date/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus and the Bid cum Application Form.
Bidding Period / Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.

Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made.
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being Centrum Capital Limited and ICICI Securities Limited
BSE	Bombay Stock Exchange Limited, Mumbai.
CAGR	Compounded Annual Growth Rate.
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 after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
CDSL	Central Depository Services (India) Limited.
Centrum	Centrum Capital Limited
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Issue Account after the Prospectus is filed with the RoC, following which the Board shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus	This Draft Red Herring Prospectus proposed to be filed with the SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of the Prospectus under Section 60B of the Companies Act and will be filed with the RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with the Registrar of Companies and filling in particulars such as the price and size of the Issue
EGM	Extraordinary General Meeting
EPS	Earnings per share.
Equity Shares	Equity shares of our Company of Rs. 10 each unless otherwise specified in the context thereof.
Escrow Account	Account opened with an 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, the Registrar, the Escrow Collection Bank(s) and the BRLM 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 Banker(s) to the Issue, at which the Escrow Account will be opened.
FCNR Account	Account Foreign Currency Non Resident Account.
FIPB	Foreign Investment Promotion Board.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Green Shoe Lender	Mr. Naresh Malhotra

Green Shoe Option	An option to the BRLM, Co-BRLM and the Company, in consultation with the Stabilizing Agent, to allocate Equity Shares in excess of the Equity Shares included in the Issue and operate a post – listing price stabilization mechanism in accordance with Chapter VIII – A of the DIP Guidelines, which is to be exercised through the Stabilizing Agent.
Green Shoe Option Portion	The portion of the Issue being [•] Equity Shares aggregating Rs. 1,500 Lakhs if exercised in full.
GSO Bank Account	The bank account opened by the Stabilizing Agent under the Stabilization Agreement.
GSO Demat Account	The demat account opened by the Stabilizing Agent under the Stabilization Agreement.
HUF	Hindu Undivided Family.
ICAI	The Institute of Chartered Accountants of India
IPO	Initial Public Offering.
I-Sec	ICICI Securities Limited.
IBSL	ICICI Brokerage Services Limited
Issue	Public issue of [•] Equity Shares at the Issue Price pursuant to the Red Herring Prospectus and the Prospectus aggregating to Rs. 10,000 Lakhs excluding the Green Shoe Portion.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date.
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 0% to 100% of the Bid Amount.
NAV	Net Asset Value.
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000.
Non-Institutional Portion	The portion of the Issue being [•] Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders.
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/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
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 up to the date specified in the CAN. Price Band The price band with a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•], including any revisions thereof.

Person/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.
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000.
Pricing Date	The date on which the Company in consultation with the BRLMs finalizes the Issue Price.
Promoters	Mr. Naresh Malhotra, Mrs. Neeta Malhotra and Mr. Namit Malhotra
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
QIB Portion	The portion of the Issue to public and up to [•] Equity Shares of Rs.10 each at the Issue Price, available for allocation to QIBs.
Qualified Institutional Buyers / QIBs	Means Public financial institutions as defined in Section 4A of the Companies Act, FIs registered with SEBI, 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 a minimum corpus of Rs. 2500 lakhs, pension funds with a minimum corpus of Rs. 2500 lakhs, and multilateral and bilateral development financial institutions.
RBI	The Reserve Bank of India.
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 1,00,000, in any of the bidding options in the Issue.
Retail Portion	The portion of the Net Issue to the public and being a minimum of [•] Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	Means the document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least 3 days before the Bid Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
RoC	The Registrar of Companies, Maharashtra at Mumbai
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the

	SEBI Act.
SEBI Act	The 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.
Stabilising Agent or SA	ICICI Securities Limited
Stabilisation Agreement	Agreement entered into by the Company, the Green Shoe Lender, and the Stabilizing Agent on January 6, 2006 in relation to the Green Shoe Option.
Stabilisation Period	The period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares, and ending 30 days thereafter unless terminated earlier by the Stabilizing Agent.
Stock Exchanges	BSE and NSE.
Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into between the Company and the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	[•]
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
U.S. / USA	United States of America
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement among the members of the Syndicate and the Company to be entered into on or after the Pricing Date.
YOY	Year on Year

Company / Industry Related Terms

Term	Description
Auditors	The statutory auditors of the Company, being M/s. V. Shivkumar & Associates
Board of Directors	Board of Directors/ Board The board of directors of our Company or a committee constituted thereof.
Director(s)	Director(s) of Prime Focus Limited, unless otherwise specified.
Compositing	It is an editing technique for superimposing images on each other
DI	Digital Intermediate
HD	High Definition
Keycode	Digital imprint on the negative, used as an identifying mark
Content	Content matter that is exhibited for the patron to view.
VFX	Visual Effects
FICCI	Federation of Indian Chamber of Commerce and Industry is a national organisation that represents and aggregates multiple Chambers of Commerce.
Offline editing	The process of putting together the various shots into a comprehensive whole
Online editing	The process of finishing, adding special effects and color balancing prior to final submission of the whole edit.
PWC	Price Waterhouse Cooper is an accounting firm
Registered Office	The registered office of the Company being Anand Kunj, North Avenue, Linking Road, Santacruz (West), Mumbai 400 054
Recereese Telecine	Recording of digital files onto film
Rotoscopy	Visual effects method of painting out a particular element from a film frame
Wire removal	Visual effects method of removing cables and other such stuff within a film frame

ABBREVIATIONS:

Term	Full Form
DI	Digital Intermediate
HD	High Definition
CGI	Computer Generated Imagery
CG	Computer Graphics
VFX	Visual Effects
SD	Standard Definition
PAL	Phase Alternate Line (Video Format used in India)
NTSC	National television system committee (Video Format used in the Americas)
3D	Three dimensional computer graphics
2D	Two dimesnsional computer graphics

SECTION: II: RISK FACTORS

Certain Conventions; Use Of Market Data

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Draft Red Herring Prospectus. Our last fiscal year commenced on April 1, 2004 and ends on March 31, 2005.

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.

Unless stated otherwise, industry/ market data used throughout this Draft Red Herring Prospectus has been obtained from internal Company reports, reports of the Federation of India Chambers of Commerce and Industry (FICCI), reports compiled by Nasscom and other industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry/ market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified

For additional definitions, please see the section titled “Definitions and Abbreviations” starting on page no. [•] of this Draft Red Herring Prospectus.

Forward-Looking Statements

We have included statements in this Draft Red Herring Prospectus, that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “project”, “shall”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will continue”, “will pursue” and similar expressions or variations of such expressions that are “forward-looking statements”. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our objectives, plans or goals, expected financial condition and results of operations, business, plans and prospects are also forward-looking statements.

These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Draft Red Herring Prospectus regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Draft Red Herring Prospectus (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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, growth and expansion plans and technological initiatives;
- our ability to successfully roll out our suite of products;
- changes in laws and regulations that apply to the Entertainment Industry;
- changes in political conditions in India; and
- changes in the foreign exchange control regulations in India.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” on page no. [•] of this Draft Red Herring Prospectus. By their nature, certain 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. Our Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend 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.

Currency Of Presentation

In this Draft Red Herring Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India; all references to “U.S. Dollars” and “US\$” are to the legal currency of the United States.

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion” and “Analysis of Financial Condition and Results of Operations” and elsewhere in this Draft Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

Risk Factors

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Draft Red Herring Prospectus before making any investment decision relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to decline and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Draft Red Herring Prospectus, including the restated consolidated financial statements included in this Draft Red Herring Prospectus beginning from page no. [•], Unless stated otherwise, the financial data in this section is as per our restated consolidated financial statements prepared in accordance with Indian GAAP.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

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 Risk Factors

We have not placed orders for any equipment

We have received quotations and would place orders for the equipments at the appropriate time, as the same are available at reasonably short notice. (Moreover a substantial portion is to be funded by the issue proceeds and hence orders will be placed closer to the public issue)

Some of the equipment required for the project may have to be imported which exposes us to foreign exchange fluctuations.

Given the current state of foreign exchange market for the Indian Rupee, we do not foresee any significant risk in the increase in project cost due to foreign exchange fluctuations. Further given the trend in the recent past, computer hardware costs have been falling. This may provide the company a cushion in an event of adverse change in the foreign exchange rates.

The expansion plans drawn by us are based on expected business opportunities in this field. Any change in the market conditions could adversely affect our profitability.

We are one of the early entrants in this field and has rich experience in comprehensive production and post-production facilities. Our business plan has been drawn up based on its past experience and we are confident of adapting to any change in the business environment.

Our expansion project has not been appraised by any Banks.

The deployment of funds is entirely at our discretion and is not subject to monitoring by any independent agency. All the figures under the utilization of funds raised are based on our own estimates. There has been no independent appraisal of the project. The project may be subject to various unforeseen variables such as possible cost overrun or delays in implementation.

Currently the Company is operating its studios from partly owned and partly leased premises.

At the company's registered office at Anand Kunj, Linking Road, Santacruz (w), our Company owns flat nos. 1, 3, and 8. While, flat nos. 2, 4, and 6 and garage nos. 3 and 4 are owned by promoters Naresh Malhotra, Neeta Malhotra and Namit Malhotra respectively and the Company has entered into a lease agreement for 33 (Thirty Three) months expiring on December 31, 2006. As per the lease agreement, the Company has maintained a deposit with the mentioned directors to the tune of Rs.30 Lakh, Rs.40 Lakh and Rs.30 Lakh respectively and the Company pays rent amounting to Rs.10,000 per month per flat to the respective flat owners.

The premise at Business Plaza, i.e., Shop nos. 301 and 302 and garage nos. 3 and 5 are owned by our Company.

Our level of receivables is very high

Long collection periods and a certain level of receivables being doubtful is a norm more than an exception, given the risky nature of films industry, from which a major part of the Company's revenues come from. Therefore, a high level of receivables is industry standard.

Though our Company has a proper system of evaluating the receivables, considering the nature of the clientele to whom it caters and also the complicated nature of the jobs performed, the billings concluded are always subject to negotiations at the time of settlement, resulting in high level of rebates, discounts and write offs. Our Company is making efforts to reverse this trend.

Our promoters will control us as long as they own a majority of our Equity Shares, and our other shareholders will be unable to affect the outcome of shareholder voting during such time.

After the completion of the Issue, the Promoters will have majority control over the issued and paid up equity share capital. So long as the Promoters own a majority of our Equity Shares, they will be able to elect our entire board of directors and remove any director, by way of a resolution approved by a simple majority of shareholders in a general meeting. The Promoters will be able to control most matters affecting us, including the appointment and removal of our officers; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets; our dividend payout; and our capital structure and financing. Further, the extent of the Promoters shareholding in us may result in delay or prevention of a change of management or control of our company, even if such a transaction may be beneficial to our other shareholders.

The industry is unorganised and highly dependent on individual skill sets of key personnel, which are not readily replaceable. We may be unable to attract and retain skilled professionals.

We have trained personnel in this line of business and lay emphasis on training and skill upgradation through training programmes for our employees. The team at Prime Focus imparts to its personnel an

understanding of the relevant technologies run on international standards along with intricacies of the movie making process. This has ensured the attrition rate at low levels.

Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain highly skilled key personnel, particularly in the creative area. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of creative and technical personnel with the requisite skills to replace those personnel who leave. Further, we cannot assure you that we will be able to re-deploy and re-train our technical personnel to keep pace with continuing changes in our business. While we have never experienced a work stoppage as a result of disagreements or otherwise with our employees and we believe our relationship with our employees is generally good, we cannot guarantee that we will not experience any such incidence in future.

We have been subject to a search operation conducted by the Income Tax authorities

We were subject to a search operation conducted by the Income Tax authorities on June 25, 2003. Nothing material was seized during the course of the search. We are unable to express an opinion on the same, since the final report is awaited from the income-tax authorities.

We have been subject to a search operation conducted by the Customs authorities

We were subject to a search operation by the customs authorities on 17th December 2005. Nothing material was seized during the course of the search. We are unable to express an opinion on the same, since the final report is awaited from the customs authorities

Litigations and Actions against Directors

A. Action taken by SEBI against Mr. Rakesh Jhunjunwala, Director:

SEBI appointed an Adjudication Officer in January 1998 to inquire into the violations of Regulation 6(1) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 against Mr. Rakesh Jhunjunwala, a Director of the Company, regarding acquisition of more than 5% of the paid up equity share capital of a listed company without informing the company and the stock exchange. Mr. Rakesh Jhunjunwala admitted that the acquisition of the said shares, which exceeded the limit of 5% only by a small margin, was an unintentional mistake and that the acquisition was a pure investment. The Adjudication Officer by an Order dated March 19, 1998 directed Mr. Rakesh Jhunjunwala to pay a penalty of Rs. 15,000/- for the technical violation. The said amount has already been paid by him to SEBI in April, 1998. A show cause notice has been issued by SEBI against Mr. Rakesh Jhunjunwala. For details refer to page no. [•] of this Draft Red Herring Prospectus.

None of the proceedings pending against the Directors, if determined adversely against them shall have any material or adverse effect on the business prospects or financials of the Company.

B. Action by Registrar of Companies against Ms. Pooja Shetty, Director:

1) As a director of Adlabs Films Limited, there were five cases for violation of Section 211, Section 209 and Section 301 of the Companies Act, 1956 lodged in the Magistrate Court Mumbai against Ms. Pooja Shetty in 2002. The cases relate to the years prior to March 2000 i.e. the time when Adlabs Films Limited was a

private limited company and also during this period she was not a Director of the company. The compounding order for these cases was issued by Regional Director, Western Region in April 2004. The office of the registrar of companies, Maharashtra has made application for discharge of these cases against her name before the magistrate court in February 2005. The hearing for this has been adjourned to July 2005.

2) Another complaint was lodged before the Magistrate Court against her in the matter of Adlabs Films Limited for violation of Section 297 of Companies Act, 1956 pertaining to 1996-97 when Adlabs Films Limited was a private limited company and also during this period she was not a director of our company. The compounding applications for the above alleged offences have been filed with the registrar of companies, Maharashtra.

C. Action against Mr. Varadarajan Aanthanarayan being a guarantor for debt:

An application dated 29th March, 2000, under Section 19 (1) of the Recovery of Debts due to the Banks and Financial institutions Act has been filed by State Bank of Travancore before the Debt Recovery Tribunal against M/s. Megalux Electronic Controls Private limited, in which Mr. Varadarajan is a Director and a Guarantor for recovery of Term Loan and Cash Credit limits granted to the tune of about Rs. 63 lakhs together with interest thereon. The said company has disputed the claim and the matter is pending before the Tribunal. Negotiations between the said company and the applicant bank for out of court settlement of the claim is in process.

External Risk Factors

Competition from existing established companies and future entrants into the industry may affect our performance

Company with its experience in the industry will adopt appropriate strategies to meet the competition.

The industry is prone to high risk of technological obsolescence

We have consistently invested in the latest technology. In future too we shall seek to overcome technological obsolescence with upgradation of current facilities with the latest technologies. Our presence at locations in developed markets such as London and U.S. where a large portion of film post-production work from all around the world gets done, which will ensure that we are abreast of the latest technological developments.

Changes in regulatory environment may have an impact on the business of the Company.

Such changes may have an impact on the industry as a whole.

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

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- our results of operations and performance;
- perceptions about our future performance or the performance of Indian entertainment companies generally;
- performance of our competitors in the Indian entertainment industry and the perception in the market about investments in the media and entertainment sector;

- adverse media reports on the Company or the Indian Entertainment Industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies

There has been no public market for our Equity Shares and the prices of our Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue. Our share price is likely to be volatile and may decline.

Valuation Methodology

There is no standard valuation methodology or accounting practices in the Multi media/post production and related industries

There is no standard valuation methodology or accounting practices in the Multi Media/ post Production and related industries. Our financials may not be comparable with the players in the industry.

Notes to Risk Factors:

- The average cost of acquisition of Equity Shares by our Promoters

Name of the Promoter	Average Cost of Acquisition (Rs.)
Mr. Naresh Malhotra	5.00
Mr. Namit Malhotra	4.76
Mrs. Neeta Malhotra	5.00

- The net worth of our Company as of September 30, 2005 was Rs.6280.78 lakhs as per Indian GAAP and the Book Value per share is Rs.60.83 as on that date.
- Public Issue [•] of Equity Shares of Rs. 10 each at a price of Rs. [•] for cash aggregating Rs. 10,000 lakhs (hereinafter referred to as "Issue")
- Investors are advised to refer to the paragraph on "Basis for Issue Price" on page no. [•] of this Red Herring Prospectus before making an investment in this issue.
- This being an Issue under Rule 19(2)(b) of SCRR made through a 100% Book Building Process, at least 60% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") (including 5% thereof reserved for Mutual Funds). Further, upto 10% of the Net Issue will be available for allocation on a proportionate basis to Non- Institutional Bidders and upto 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- Investors may note that in case of over-subscription in the Issue, allotment shall be on proportionate basis to Retail Individual Bidders and Non-Institutional Bidders. Please refer to the paragraph on "Basis of Allocation" on page no. [•] of this Red Herring Prospectus
- Investors are free to contact the BRLMs for any clarification or information relating to the Issue.

SECTION: III: INTRODUCTION

Summary

Industry

The Indian Entertainment Industry is one of the fastest growing sectors of the Indian economy riding on the economic growth and rising income levels that India has been experiencing in the past few years. The Entertainment Industry is expected to grow faster than GDP growth and consequently more spend is expected on leisure and entertainment. Convergence is the mantra for Indian Entertainment Industry for the next five years. With the economy is doing very well and poised for a leap in the next five years the Indian Entertainment Industry is expected to outperform the growth in economy by a significant margin in the coming years.

The Indian entertainment industry, largely comprising films, television, music, radio and live shows stands at over Rs.20,000 crore (US\$ 4.5 billion) today. Overall, it is expected to grow at the rate of 18% per annum compounded annually over the next five years to reach over Rs.45,000 crore (US\$ 10 billion) by 2009.

Technology will drive the Entertainment Industry into the next decade. In the new converged paradigm, its boundaries will be merged with those of the Telecommunications & Information Technology segments. Digitalisation is the future of television and film industry and will also revolutionise the same by bringing out faster and cheaper modes of delivering films to consumers.

The post-production industry is currently estimated at Rs.500 crore and is expected to grow to Rs.1,000 crore by 2007. International outsourced work and mainstream films, currently accounting for Rs.65 crore of the total market is estimated to grow to Rs.400 crore. The increase in multiplexes has led to a demand for more visually appealing films, leading to an increased allocation for visual effects. The average budget for post production and visual effects is expected to rise to 25% (up from 15%).

Source : FICCI-PwC

Overview

We are one of India's leading integrated end to end post production and visual effects services house. We offer a comprehensive spectrum of services ranging from visual effects, digital film lab (digital intermediate, high-resolution film scanning and film recording), telecine, editing, and motion control to High Definition production.

We have consistently adapted in the face of evolving client needs. Our full service capabilities empower filmmakers, ad film makers and television producers with the newest tools and techniques to refine their work in the post production & production environment. We have provided the entertainment industry with a superlative creative experience.

Our Competitive Strengths

We believe that the following are our competitive strengths

Prime Focus Limited

I. Prominent player in the industry with strong brand equity

- High customer retention with 60% of revenues generated through repeat business
- Loyal base of vendors which enable PFL to effectively manage capital cost requirements
- Established network and goodwill in the industry

II. Young, dynamic and motivated creative team

- The team's high client credibility allows PFL to charge premium over competitors
- Core team of employees over the years with negligible attrition rate

III. Focused Management

- Clear vision on future growth path
- In depth understanding of domestic industry structure, players and drivers

IV. State of the art Technology

- Effective use of technology to meet domestic demand

Our Strategy

Our corporate vision is "to be one of the leading internationally recognized end-to-end quality service providers in the area of post production and visual effects services". The following are our key growth strategies:

- Geographical expansion. With spiraling labor costs and with greater expectations & reduced timelines, international production houses/VFX houses are looking to outsource part of the work to other studios to be able to sustain the demand variants of their local industry. Prime Focus has drawn up plans to setup the latest technology kit, to service the local markets in London, Los Angeles and Dubai, and to take advantage of its backend visual effects and animation facility in India. Given the high degree of integration between the two facilities, it would create a unique position for Prime Focus at a global level.
- Building forward and backward integration to provide comprehensive bundled services to our clients. This bundling ensures overall margin protection and locks in clients for higher volumes of work at a single place.
- Building scale in each business to ensure that we always have the capability to service our time sensitive client base and ensuring that we retain top of the mind recall for (bundled) facilities with clients.
- Consistently investing in relevant technologies to provide new services to clients and consistently upgrading client demands by providing clients with new technologies and capabilities at relevant price points.

The Issue

Equity Shares offered for issue by the Company	[•] Equity Shares of Rs. 10/- each at a price of Rs. [•] aggregating to Rs. 10,000 Lakhs.
of which:	
QIB Portion	[•] Equity Shares of Rs. 10/- each aggregating to Rs. 6,000 Lakhs constituting 60% of the Net Offer to the Public (allocation on Proportionate basis)
Of which:	
Reservation for Mutual Funds	[•] Equity Shares Rs. 10/- each aggregating to Rs. 300 Lakhs constituting 5% of the QIB Portion (allocation on Proportionate basis)
Balance for all QIBs including Mutual Funds	[•] Equity Shares Rs. 10/- each aggregating to Rs. 5,700 Lakhs. (allocation on Proportionate basis)
Non-Institutional Portion ⁽¹⁾	[•] Equity Shares Rs. 10/- each aggregating to Rs. 1,000 Lakhs constituting 10% of the Net Offer to the Public (allocation on proportionate basis)
Retail Portion ⁽¹⁾	[•] Equity Shares Rs. 10/- each aggregating to Rs. 3,000 Lakhs constituting 30% of the Net Offer to the Public (allocation on proportionate basis)
Green Shoe Option Portion ⁽²⁾	[•] Equity Shares of Rs. 10/- each aggregating to Rs. 1,500 Lakhs
Equity Shares outstanding prior to the Issue	1,03,24,500 Equity Shares
Equity Shares outstanding after the Issue (without Green Shoe)	[•] Equity Shares Rs. 10/-
Equity Shares outstanding after the Issue (with full exercise of Green Shoe Option)	[•] Equity Shares Rs. 10/-
Use of proceeds by the Company	See the section titled "Objects of the Issue" on page no. [•] of this Draft Red Herring Prospectus

⁽¹⁾ Under-subscription, if any, in any of the above categories would be allowed to be met with spill-over *inter-se* from any other categories, at the sole discretion of the Company and BRLMs.

⁽²⁾ The Green Shoe Option will be exercised at the discretion of the BRLMs and the Company.

Green Shoe Option

We propose to avail of an option for allocating Equity Shares in excess of the Equity Shares included in the Issue in consultation with the BRLMs, in order to operate a post listing price stabilising mechanism, in accordance with the SEBI Guidelines, i.e., the Green Shoe Option. Our shareholders at the extraordinary general meeting held on December 26, 2005 have authorized the Green Shoe Option.

ICICI Securities Limited has agreed to act as the stabilizing agent for the purposes of effectuating the Green Shoe Option, as envisaged under Chapter VIII A of the SEBI Guidelines.

Mr. Naresh Malhotra, one of our Promoters has agreed to lend the Loaned Shares to the Stabilising Agent for the purposes of effectuating the Green Shoe Option.

The Stabilising Agent shall be responsible for, *inter alia*, price stabilisation post listing, if required, but there is no obligation to conduct stabilising measures. If commenced, stabilising will be conducted in accordance with applicable laws and regulations and may be discontinued at any time. In any event, the stabilizing activities shall not continue for a period exceeding 30 days from the date of the receipt of permission for trading of the Equity Shares from the Stock Exchanges. For the purposes of the Green Shoe Option, the Stabilising Agent shall borrow the Loaned Shares from the Green Shoe Lender. The Loaned Shares and/or purchased from the market for stabilising purposes will be in dematerialised form only.

We have entered into the Stabilising Agreement with the Green Shoe Lender and the Stabilising Agent for the exercise of the Green Shoe Option on the terms and conditions detailed therein.

The terms of the Stabilising Agreement provide that:

1. Stabilisation Period

Stabilisation Period shall mean the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares under the Issue, and ending 30 days thereafter, unless terminated earlier by the Stabilising Agent.

2. The primary objective of the Green Shoe Option is stabilisation of the market price of Equity Shares after listing. Towards this end, after listing of Equity Shares, in case the market price of the Equity Shares falls below the Issue Price, then the Stabilising Agent, at its discretion, may purchase Equity Shares from the market with the objective of stabilisation of the market price of the Equity Shares.

3. Decision regarding Exercise of Green Shoe Option

- (i) Post the Bid/Issue Closing Date, the BRLMs, in consultation with us, the green shoe lender and the Stabilising Agent, shall take a decision relating to the exercise of the Green Shoe Option.
- (ii) In the event, it is decided that the Green Shoe Option shall be exercised, the Company in consultation with the Stabilising Agent, shall make over allotment of Equity Shares as per the procedure detailed below.

4. Procedure for Over Allotment and Stabilisation

- (i) The allotment of the Over Allotment Shares shall be done pro rata with respect to the proportion of Allotment in the Issue to various categories.

- (ii) The monies received from the Bidders for Equity Shares in the Issue against the over allotment shall be kept in the GSO Bank Account distinct and separate from the Issue Account and shall be used only for the purpose of buying shares from the market during the Stabilisation Period for the stabilization of the post listing price of the Equity Shares.
- (iii) Upon such allotment, the Stabilising Agent shall transfer the Over Allotment Shares from the GSO Demat Account to the respective depository accounts of the successful Bidders.
- (iv) For the purpose of purchasing the Equity Shares, the Stabilising Agent shall use the funds lying to the credit of GSO Bank Account.
- (v) The Stabilising Agent shall determine the timing of buying the Equity Shares, the quantity to be bought and the price at which the Equity Shares are to be bought from the market for the purposes of stabilisation of the post listing price of the Equity Shares.
- (vi) The Equity Shares purchased from the market by the Stabilising Agent, if any, shall be credited to the GSO Demat Account and shall be returned to the Green Shoe Lender within two working days from the expiry of the Stabilisation Period.
- (vii) On the expiry of the Stabilisation Period, in the event the Equity Shares lying to the credit of the GSO Demat Account at the end of the Stabilisation Period but before the transfer to the Green Shoe Lender is less than the Over Allotment Shares, upon being notified by the Stabilising Agent, we shall within five days of the end of the Stabilisation Period allot, new Equity Shares in dematerialized form for the number equal to such shortfall to the credit of the GSO Demat Account. The newly issued Equity Shares shall be returned by the Stabilising Agent to the Green Shoe Lender in lieu of the Over Allotment Shares, within two working days of them being credited into the GSO Demat Account, time being of essence in this regard.
- (viii) Upon the return of Equity Shares to the Green Shoe Lender pursuant to and in accordance with sub-clauses (vi) and (vii) above, the Stabilising Agent shall close the GSO Demat Account.
- (ix) The Equity Shares returned to the Green Shoe Lender shall be subject to remaining lock-in-period, if any, as provided in the SEBI Guidelines.

5. GSO Bank Account

The Stabilising Agent shall remit from the GSO Bank Account to the Green Shoe Lender, an amount, in Rupees, equal to the number of Equity Shares allotted by us to the GSO Demat Account at the Issue Price. The amount left in this account, if any, after this remittance and deduction of expenses and net of taxes, if any, shall be transferred to the investor protection fund of the Stock Exchanges in equal parts. Upon transfer of monies as above, the GSO Bank Account shall be closed by the Stabilising Agent.

6. Reporting

During the Stabilisation Period, the Stabilising Agent shall submit a report to the BSE and the NSE on a daily basis. The Stabilising Agent shall also submit a final report to SEBI in the format prescribed in Schedule XXIX of the SEBI Guidelines. This report shall be signed by the Stabilising Agent and us and be accompanied by the depository statement for the GSO Demat Account for

Prime Focus Limited

the Stabilisation Period indicating the flow of shares into and from the GSO Demat Account. If applicable, the Stabilising Agent shall, along with the report give an undertaking countersigned, if required by the respective depositories of the GSO Demat Account and the Lender regarding confirmation of lock-in on the Equity Shares returned to the Lender in lieu of the Over-Allotment Shares.

7. Rights and Obligations of the Stabilising Agent

- (i) Open a special bank account which shall be the GSO Bank Account under the name of "Special Account for GSO proceeds of Prime Focus Limited" and deposit the monies received for the Over Allotment Shares, in the GSO Bank Account.
- (ii) Open a special account for securities which shall be the GSO Demat Account under the name of "Special Account for GSO proceeds of Prime Focus Limited" and credit the Equity Shares bought by the Stabilising Agent, if any, during the Stabilisation Period to the GSO Demat account.
- (iii) Stabilise the market price as per the SEBI Guidelines, only in the event of the market price falling below the Issue Price, including *inter alia* the determination of the price at which such Equity Shares are to be bought and the timing of such purchase.
- (iv) On or prior to the Pricing Date, to request the Green Shoe Lender to lend the Loaned Shares and to transfer funds from the GSO Bank Account to Green Shoe Lender within a period of five working days of close of the Stabilisation Period.
- (v) The Stabilising Agent, at its discretion, would decide the quantity of Equity Shares to be purchased, the purchase price and the timing of purchase. The Stabilising Agent, at its discretion, may spread orders over a period of time or may not purchase any Equity Shares under certain circumstances where it believes purchase of the Equity Shares may not result in stabilisation of market price.
- (vi) Further, the Stabilising Agent does not give any assurance that would be able to maintain the market price at or above the Issue Price through stabilisation activities.
- (vii) On expiry of the Stabilisation Period, to return the Equity Shares to the Green Shoe Lender either through market purchases as part of stabilising process or through issue of fresh Equity Shares by us.
- (viii) To submit daily reports to the Stock Exchanges during the Stabilisation Period and to submit a final report to SEBI.
- (ix) To maintain a register of its activities and retain the register for three years.
- (x) To transfer net gains on account of market purchases in the GSO Bank Account net of all expenses and net of taxes, if any, equally, to the investor protection funds of the Stock Exchanges.

8. Rights and Obligations of the Company

- (i) On expiry of the Stabilisation Period, if the Stabilising Agent buys the Equity Shares from the market, to issue the Equity Shares to the GSO Demat Account to the extent of Over Allotment Shares, which have not been bought from the market.

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- (ii) If no Equity Shares are bought from the market, then to issue Equity Shares to GSO Demat Account to the entire extent of Over Allotment Shares.

9. Rights and obligations of the Green Shoe Lender

- (i) The Green Shoe Lender undertakes to execute and deliver all necessary documents and give all necessary instructions to procure that all rights, title and interest in the Loaned Shares shall pass to the Stabilising Agent/GSO Demat Account free from all liens, charges and encumbrances.
- (ii) Upon receipt of instructions from the Stabilising Agent on or prior to the Pricing Date, to transfer the Loaned Shares to the GSO Demat Account.
- (iii) The Green Shoe Lender will not recall or create any lien or encumbrance on the Loaned Shares until the completion of the settlement under the stabilisation.

10. Fees and Expenses

- (i) We will pay to Green Shoe Lender a fee of Rupees Five Lakhs only.
- (ii) We will pay the Stabilising Agent a fee of Rupees Five Lakhs plus service tax.

Procedure for exercise of Green Shoe Option

The primary objective of the Green Shoe mechanism is stabilization of the market price of Equity Shares after listing. Towards this end, after listing of Equity Shares, in case the market price of the Equity Shares fall below the Issue Price, then the Stabilisation Agent, at its sole and absolute discretion, may start purchasing Equity Shares from the market with the objective of stabilization of the market price of the Equity Shares. The Stabilizing Agent, at its sole and absolute discretion, would decide the quantity of Equity Shares to be purchased, the purchase price and the timing of purchase. The Stabilization Agent, at its sole and absolute discretion, may spread orders over a period of time or may not purchase any Equity Shares under certain circumstances where it believes purchase of Equity Shares may not result in stabilization of market price. Further, the Stabilization Agent does not give any assurance that it would be able to maintain the market price at or above the Issue Price through stabilization activities. The funds lying to the credit of GSO Bank Account would be utilized by the Stabilization Agent to purchase the Equity Shares from the market and such Equity Shares would be credited to GSO Demat Account. The operations of GSO Demat Account and GSO Bank Account are explained in the paragraphs above.

Prime Focus Limited

Summary of Financial, Operating And Other Data

The tables set forth selected financial information of our Company derived from its audited financial statements as for the half year ended on September 30, 2005 and the financial year ended on March 31, 2005, March 31,2004, March 31,2003, March 31,2002 and March 31,2001 all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines and as described in the Auditor's report of M/s V. Shivkumar & Associates, Chartered Accountants included in the section titled " Restated Financial Statements" on page [•] of this Draft Red Herring prospectus and should be read in conjunction with those financial statements and the notes thereto. For further discussion on our financial statements, please see "Management Discussion and Analysis of Financial Condition and Results of Operations" on page [•] and "Our Business" on page [•] of this Draft Red Herring Prospectus.

Statement of Restated Assets and Liabilities

Rs. In lakhs

PARTICULARS	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Fixed Assets						
Gross Block	5238.93	4817.08	3075.52	2820.08	2454.07	1622.50
Less: Depreciation and amortization	1419.36	1328.00	954.66	726.48	913.29	514.38
Net Block (A)	3819.57	3489.08	2120.86	2093.59	1540.78	1108.12
Add: Capital WIP	1567.27	83.00	0.00	0.00	0.00	39.40
	5386.84	3572.08	2120.86	2093.59	1540.78	1147.48
Investments : (B)	510.98	1.00	1.00	79.70	1.00	1.00
Current Assets ,Loans and Advances :						
Sundry Debtors	1620.99	1419.63	802.37	566.03	378.05	232.09
Cash and Bank Balances	3214.33	1104.29	421.09	33.50	2.05	0.92
Loans and Advances	962.51	552.32	263.50	241.07	243.33	148.95
Total (C)	5797.83	3076.24	1486.96	840.60	623.43	381.96
Liabilities and Provisions :						
Secured Loans	1454.32	1625.82	863.37	1034.62	920.65	476.44
Unsecured Loans	0.00	0.00	0.00	0.00	20.10	0.00
Deferred Tax Liability	726.61	681.87	450.19	367.77	0.00	0.00
Current Liabilities	2668.95	837.71	179.68	176.32	183.62	220.54
Provisions	564.99	402.12	158.00	139.30	112.38	83.88
Total (D)	5414.87	3547.52	1651.24	1718.01	1236.75	780.86
Miscellaneous Expenditure (to the extent not w/ off)	49.60	2.10	2.63	3.15	3.68	4.20
Net Worth (A+B+C-D) :	6280.78	3101.80	1957.57	1295.89	928.46	749.60
Represented by						
Share Capital	1032.45	882.45	834.20	400.00	400.00	400.00
Reserves and Surplus	5297.93	2221.45	1126.00	899.04	532.14	353.80
Total	6330.38	3103.90	1960.20	1299.04	932.14	753.80
Net Worth (G-E)	6280.78	3101.80	1957.57	1295.89	928.46	749.60

Statement of Restated Profit and Loss Account

Rs. In lakhs						
PARTICULARS	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Income :						
<i>Technical Service Receipts</i>						
Films	1279.35	1564.04	685.61	503.50	278.70	169.30
Ad Films	363.23	938.41	746.10	584.72	633.41	530.48
Television And Music Video	249.08	625.62	584.78	536.00	354.71	428.90
<i>Other Income</i>	186.34	90.51	15.99	0.00	0.00	0.00
	2078.00	3218.60	2032.48	1624.22	1266.82	1128.68
Expenditure:						
Operating Costs	675.35	1377.77	1105.06	857.90	549.00	584.64
Interest	71.33	145.22	141.44	152.68	112.06	52.43
Depreciation	239.13	395.33	268.45	254.01	398.92	267.52
Profit Before Tax :	1,092.19	1,300.27	517.53	359.63	206.84	224.09
Provision for Taxation						
Current Tax	320.87	244.12	105.00	53.00	28.50	57.80
Deferred Tax	44.74	231.68	82.42	74.64	0.00	0.00
Profit After Tax :	726.58	824.48	330.11	231.99	178.34	166.29
Balance Brought Forward	1653.62	829.14	899.04	532.14	353.80	187.51
Less :Issue of Bonus Shares	0	0.00	-400.00	0.00	0.00	0.00
Add: Change in Depreciation Accounting	0	0.00	0.00	428.03	0.00	0.00
Less :Deferred Tax Liability for earlier years	0	0.00	0.00	-293.13	0.00	0.00
Balance carried to Balance Sheet	2380.20	1653.62	829.14	899.04	532.14	353.80

Prime Focus Limited

General Information

Registered Office of our Company:

Prime Focus Limited

Anand Kunj, North Avenue
Linking Road, Santacruz (West)
Mumbai 400054
Registration No.: 11-108981

Registered With:

Registrar of Companies, Maharashtra at Mumbai

100, Everest, Marine Lines, Mumbai – 400 002.

Board of Directors:

The company is currently managed by Board of Directors comprising of Eight directors. Mr. Naresh Malhotra is the Chairman and the day-to-day affairs of the company are being managed by Mr. Namit Malhotra, Managing Director. Our Board of Directors comprises of the follows:

Name	Designation
Mr. Naresh Malhotra	Chairman
Mr. Namit Malhotra	Managing Director
Mr. Varadarajan Ananthanarayan	Director
Mr. Kodi Raghavan Srinivasan	Director
Ms. Pooja Shetty	Director
Mr. Rakesh Radheyshyam Jhunhunwalla	Director
Mr. Somasekhar Sundaresan	Director
Mr. Rivkaran Chadha	Additional Director

Brief details of Chairman & Managing Director

Mr. Naresh Malhotra : Mr. Naresh Malhotra is the Chairman of our Company. A veteran in the Indian Film and Television industry, commenced his career as an Associate Director and Controller of Production with the well known director Mr. Ashit Sen. In 1990, on sensing the potential boom in the television industry, he ventured into the business of providing services for the production of TV programs and ad films by hiring out video equipment like cameras, recorders, monitors, etc. to various Satellite Channels, Production houses and Ad filmmakers. Over the years, he has been recognized as a pioneer and market leader.

Mr. Namit Malhotra : Mr. Namit Malhotra is the Managing Director of our Company. Namit is a 'hands-on' promoter, having built Prime Focus from a moderate one room editing studio to being the largest post production and visual effects studio in India. His technology understanding has ensured that in a business, where there is such rapid change of technology, and risk of technological obsolescence, his decisions have ensured that the said risk has been successfully mitigated. He continues to head all decision making on the technology front. Over the years, he has made sure that the company has constantly evolved by ensuring that the various processes of Backward and Forward Integration have been implemented successfully, thereby engaging the client in the entire process of filmmaking. By integrating all the various technology / service profiles, under one roof, he has created India's and one of Asia's largest end to end services company for post production and visual effects.

For further details regarding our Directors please refer to “Our Management” on page no. [•] of this Draft Red Herring Prospectus.

Compliance Officer:

Mr. Nishant Fadia,
Prime Focus Limited
Anand Kunj, North Avenue
Linking Road, Santacruz (West)
Mumbai 400054
Tel.: +91-22 56925000
Fax : +91-22-56976310;
Website: www.primefocus.co.in
E-mail: ipo@primefocus.co.in

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.

Legal Counsel to the Issue:

Economic Laws Practice,
1502, Dalamal Towers,
Nariman Point,
Mumbai – 400 021.
Tel.: +91-22-5636 7000
Fax: +91-22-5636 7172
Website: www.elp-in.com
E-mail: primefocus@elp-in.com

Bankers to our Company

Shamrao Vithal Coperative Bank Limited
Versova Branch,
7, Sarkar Corner,
J. P. Road,
Andheri (W),
Mumbai 400 058
Tel: +91-22-26772738 / 26770151
Fax: +91-22-26770847

Kotak Mahindra Bank Limited
Centre Point,
J. B. Nagar,
Andheri Kurla Road,
Andheri (E),
Mumbai 400 059
Tel: +91-22 - 56779203
Fax: +91-22 - 56779202

Prime Focus Limited

Book Running Lead Managers:

Centrum Capital Limited

5, Khetan Bhavan, 5th Floor

198, J. Tata Road

Churchgate

Mumbai 400 020

Tel: +91-22 - 2202 3838

Fax: +91 - 22- 2204 6096

Email : primefocus@centrum.co.in

Website: www.centrum.co.in

Contact Person : Ms. Sangeeta Sanghvi

ICICI Securities Limited

ICICI Centre

H.T. Parekh Marg, Churchgate

Mumbai 400 020.

Tel: +91-22-2288 2460

Fax: +91-22-2282 6580

E-mail: pfl_ipo@isecltd.com

Website: www.icicisecurities.com

Contact Person : Mr. Kartik Juneja

Syndicate Members:

ICICI Brokerage Services Limited

ICICI Centre

H.T. Parekh Marg, Churchgate

Mumbai 400 020.

Tel: +91-22-2288 2460

Fax: +91- 22-2282 6580

E-mail: pfl_ipo@isecltd.com

Website: www.icicisecurities.com

Contact Person : Mr. Anil Mokashi

Registrar to the Issue

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (W)

Mumbai 400 078

Tel : +91-22-25960320 (9lines)

Fax : +91-22-25960329

E-mail:primefocus@intimespectrum.com

Website: www.intimespectrum.com

Contact Person: Mr. Vishwas Attavar

Stabilising Agent

ICICI Securities Limited

ICICI Centre

H.T. Parekh Marg, Churchgate

Mumbai 400 020.

Tel: +91-22-2288 2460

Fax: +91-22-2282 6580

E-mail: pfl_ipo@isecltd.com

Banker(s) to the Issue and Escrow Collection Bank(s)

To be appointed.

Brokers to the Issue

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

Auditors

V. Shivkumar & Associates,

Chartered Accountants

120, Damji Shamji Udyog Bhavan,

First Floor, Veera Desai Road,

Andheri (West), Mumbai 400053

Tel: +91-22- 26734852

Fax: +91- 22- 26734960

E-mail : vskumar@bom3.vsnl.net.in

Prime Focus Limited***Statement of Inter Se Allocation of Responsibilities for the Issue:***

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

Sr. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	Centrum & I-Sec	Centrum
2.	Due diligence of the company's operations / management / business plans / legal etc. Drafting & Design of 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 Stock Exchange, Registrar of Companies and SEBI	Centrum	Centrum
3.	Drafting and approval of Issue and statutory publicity material, etc.	Centrum	Centrum
4.	Drafting and approval of all corporate advertisement, brochure and other publicity material	Centrum & I-Sec	Centrum
5.	Appointment of Registrar, Bankers, Printer and Ad agency	Centrum & I-Sec	Centrum
6.	Marketing of the Issue, which will cover inter alia, Formulating-marketing strategies, preparation of publicity budget Finalize Media & PR strategy Finalizing centers for holding conferences for brokers, etc. Finalize collection centers Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material	Centrum & I-Sec	I-Sec
7.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	Centrum & I-Sec	I-Sec
8.	Finalizing of Pricing & Allocation	Centrum & I-Sec	I-Sec
9.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	Centrum & I-Sec	Centrum
10.	The Post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with 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 them to discharge this responsibility through suitable agreements with the issuer company.	Centrum & I-Sec	Centrum

Credit Rating

As this is an Issue of equity shares, there is no credit rating required for this Issue.

Trustees

As this is an Issue for equity shares, the appointment of Trustees is not required.

Monitoring Agency

The company has set up an Audit Committee comprising of non executive and independent directors who have been charged with the responsibility of monitoring the use of issue proceeds. The company will disclose the utilization of the proceeds of the Issue under a separate head in our Balance Sheet for FY 2006 clearly specifying the purpose for which such proceeds have been utilized. It shall also, in its Balance Sheet for FY 2006, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

Book Building Process

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

1. The Company
2. Book Running Lead Managers, in this case being M/s. Centrum Capital Limited and ICICI Securities Limited.
3. Syndicate Members, who are the intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs.
4. The Registrar to the Issue M/s. Intime Spectrum Registry Limited.
5. Escrow Collection Bank

SEBI, through its guidelines, read with Rule 19(2)(b) of SCRR has permitted an Issue of securities to the public through the 100% Book Building Process, wherein atleast 60% of the Issue shall be allocated on a proportionate basis to QIBs (clause 2.2.2), 11.3.5, 11.3.5(II-a) of SEBI (DIP) Guidelines, 2000 (including 5% thereof reserved for Mutual Funds). 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.

The Company will comply with these guidelines for this Issue. In this regard, the Company has appointed the BRLMs to procure subscriptions to the Issue.

The process of book building, under SEBI Guidelines, has been in place but the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

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

Prime Focus Limited

Steps to be taken by the Bidders for bidding:

1. Check whether he / she is eligible for bidding (refer to the section “Issue Procedure – Who can Bid” on page [•] of this Draft Red Herring Prospectus);
2. Ensure that the bidder has a demat account; and
3. 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.

Ensure that the Bid cum Application Form is accompanied by the PAN, or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address in case the bidder bids for Rs. 50,000 or more. See page [•] of this Draft Red Herring Prospectus for details.

Underwriting Agreements:

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members 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 the RoC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. lakh)
Centrum Capital Limited 5, Khetan Bhavan 198, J Tata Road Churchgate Mumbai 400 020	[•]	[•]
ICICI Securities Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020	[•]	[•]
ICICI Brokerage Services Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020	[•]	[•]
[•]	[•]	[•]

The above-mentioned amount is indicative underwriting and this would be finalized after 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) and BRLMs, 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 Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments.

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

Capital Structure

The share capital structure as at the date of filing of the Draft Red Herring Prospectus with SEBI (before and after the proposed Issue) is set forth below:

Rs. in lakhs

Share Capital	Aggregate Value at Nominal value	Aggregate Value at Issue Price
A) AUTHORISED 1,50,00,000 Equity Shares of Rs. 10 each	1500.00	
B) ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL 1,03,24,500 Equity Shares of Rs. 10 each	1032.45	
C) PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS [•] Equity Shares of Rs. 10 each fully paid up *	[•]	10,000
D) Green Shoe Option pursuant to this Draft Red Herring Prospectus** [•] Equity Shares of Rs. 10 each fully paid up	[•]	1,500
E) EQUITY CAPITAL AFTER THE ISSUE [•] Equity Shares of Rs. 10 each fully paid up shares	[•]	[•]
F) Equity Capital assuming exercise of Green Shoe Option in full [•] Equity Shares of Rs. 10 each fully paid up shares	[•]	[•]
G) SHARE PREMIUM ACCOUNT Before the Issue	2917.73	
After the Issue (Without exercise of Green Shoe Option)	[•]	
After the Issue (Assuming exercise of Green Shoe Option in full)	[•]	

*The Issue in terms of this Draft Red Herring Prospectus has been authorized pursuant to a Resolution passed at the General Meeting of our shareholders held on December 26, 2005 at Mumbai.

**Mr. Naresh Malhotra as the Green Shoe Lender has agreed to lend Equity Shares, which shall not be in excess of 15% of the issue size. The stabilizing Agent for the issue is ICICI Securities Limited.

Details of Increase in Authorised Capital:

Sr. No.	Particulars of Increase	Date of Meeting
1.	By Rs.9,50,00,000 from Rs 50,00,000 to Rs.10,00,00,000	October 1, 1999
2.	By Rs.3,00,00,000 from Rs.10,00,00,000 to Rs.13,00,00,000	November 15, 2003
3.	By Rs. 2,00,00,000 from Rs. 13,00,00,000 to Rs. 15,00,00,000	December 26, 2005

Notes to the capital structure:

- Each equity share of face value Rs.100 was subdivided into 10 shares of Rs.10 each on October 1, 1999.
- We declared a bonus issue of equity shares out of General Reserves in the ratio 1:1 at an Annual General Meeting held on September 30, 2003. As a result, the capital increased to 80,00,000 equity shares of Rs.10 each, amounting to Rs.8,00,00,000 from 40,00,000 equity shares of Rs.10 each amounting to Rs.4,00,00,000 as earlier.

The equity shares of face value Rs.10 each were split into two equity shares of face value of Rs.5 each by a Special Resolution passed at the Extra Ordinary General Meeting held on November 15, 2003.

- The equity shares of face value of Rs.5 each were consolidated in to equity shares of face value of Rs.10 each by a Special Resolution passed at the Extra Ordinary General Meeting held on September 10, 2004. The equity shares of our company presently has a face value of Rs.10 each

1. Share Capital history of the Company)

Date of Allotment/ allocation	No. Of equity shares	Face value (Rs.)	Issue price per equity share (Rs.)	Nature of payment	No. of shares of face value Rs.10 per share	Total paid-up capital (Rs.)	Reasons for Allotment	Cumulative Paid Up Capital (Rs.)	Securities Premium A/c
July 24, 1997	200	100*	100*	Cash	2,000	20,000	Allotment to subscribers to Memorandum of Association	20,000	
September 30, 1997	49,800	100*	100*	Cash	498,000	4,980,000	Further issue of capital to promoters	5,000,000	
November 30, 1999	850,000	10	10.00	Consideration Other than cash	850,000	8,500,000	Shares issued as a consideration for takeover of business of M/s. True Colours, partnership firm owned by Mr. Namit Malhotra (350,000 shares) and Mr. Rivkaran Chada (500,000 shares), under the scheme of arrangement	13,500,000	
April 1, 2000	2,650,000	10	10.00	Consideration Other than cash	2,650,000	26,500,000	Shares issued as a consideration for takeover of business of M/s. Video Works, a proprietary concern owned by Mr. Naresh Malhotra, Promoter, under the scheme of arrangement	40,000,000	
September 30, 2003	4,000,000	10	10.00	Bonus	4,000,000	40,000,000	Bonus in the ratio 1:1 out of free reserves	80,000,000	
March 31, 2004	684,000	5**	48.40	Cash	342,000	3,420,000	Preferential allotment made to Adlabs Films Limited	83,420,000	29,685,600
June 25, 2004	465,000	5**	33.08	Cash	232,500	2,325,000	Preferential allotment made to Rekha Jhunjhunwalla	85,745,000	13,057,200

Prime Focus Limited

June 25, 2004	500,000	5**	33.08	Cash	250,000	2,500,000	Preferential allotment made to Rakesh Jhunjhunwalla	88,245,000	14,040,000
June 20, 2005	1,500,000	10.00	166.66	Cash	1,500,000	15,000,000	Preferential allotment made to Sonata Investments Ltd	103,245,000	23,49,90,000
Total					10,324,500	103,245,000			29,17,72,800

* Each equity share of face value Rs.100 was subdivided into 10 shares of Rs.10 each on October 1, 1999.

**The equity shares of face value of Rs.5 each were consolidated in to equity shares of face value of Rs.10 each by a Special Resolution passed at the Extra Ordinary General Meeting held on September 10, 2004.

2. Promoters Contributions and Lock-In

a. Allotment to Promoters

Name of the Promoter	Date of allotment	Nature of Payment	No. of shares	Face Value	Issue Price	No. of shares of Rs. 10
Naresh Malhotra	July 24,, 1997	Cash	100	100	100	1,000
	September 30, 1997	Cash	14,900	100	100	149,000
	April 1, 2000	Kind	2,650,000	10	10	2,650,000
	September 30, 2003	Bonus	5,597,200	5	5	2,798,600
						5,598,600
Namit Malhotra	July 24, 1997	Cash	100	100	100	1,000
	September 30, 1997	Cash	19,900	100	100	199,000
	November 30, 1999	Kind	350,000	10	10	350,000
	September 30, 2003	Bonus	1,300,000	5	5	650,000
						1,200,000
Neeta Malhotra	September 30, 1997	Cash	15,000	100	100	150,000
	September 30, 2003	Bonus	300,000	5	5	150,000
						300,000

b. Final Shareholding of the Promoters

Name of the Promoter	Shares allotted as per the table above	Add: Shares (Rs 10 each) acquired by way other than allotment	Less: Shares (Rs 10 each) Transferred	Pre issue Shareholding
Naresh Malhotra	5,598,600	2,800	76,400	5,525,000
Namit Malhotra	1,200,000	180,000	140,000*	1,240,000
Neeta Malhotra	300,000	NIL	NIL	300,000

****As on the date of transfer, the face value of Equity Shares was Rs. 5/- each which were consolidated in to equity shares of face value of Rs.10 each by a Special Resolution passed at the Extra Ordinary General Meeting held on September 10, 2004.**

Note:

1. Naresh Malhotra had transferred 1400 equity shares i.e. 200 shares of Rs 10 each to Neha Malhotra, Merzin Tavaría, Huzefa Lokhandwala, Prakash Kurup, Rajnish Sah, Michael Gonsalves and Pritamkaur Chadha on March 1, 2000. He acquired by way of transfer 400 equity shares of Rs. 10 each i.e. a total of 2800 shares of Rs. 10 each from Neha Malhotra, Merzin Tavaría, Huzefa Lokhandwala, Prakash Kurup, Rajnish Sah, Michael Gonsalves and Pritamkaur Chadha on November 23, 2004. On January 4, 2006, he further transferred 75,000 equity shares of Rs. 10/- each to Anuj Joshi.
2. Namit Malhotra had acquired 1,00,000 equity shares of Rs 10 each on April 15, 2003 and 80,000 equity shares of Rs 10 each by way of transfer on March 24, 2004 from Riv Karan Chadha. He transferred 140,000 equity shares of Rs. 10/- each to Adlabs Films Limited on March 18, 2004. As on the date of acquisition of shares from Rivkaran Chadha and transfer of Equity Shares to Adlabs, the face value of Equity Shares was Rs. 5/- per Equity share which was later consolidated to face value of Rs. 10/- per share on September 10, 2004.

c. The shareholding of the Promoters would be locked-in for a period of three years as under:

Name	Date on which the Equity Shares were allotted/ acquired/ transferred	Nature of payment	No. of Equity Shares	Par Value (Rs.)	% of pre issue paid up equity capital	% of post issue paid up equity capital*
Naresh Malhotra	November 23, 2004	Cash	2,800	10	0.027	[•]
Namit Malhotra	March 24, 2004	Cash	80,000	10	0.775	[•]
Naresh Malhotra	September 30, 2003	Bonus	1,733,000	10	16.784	[•]
Namit Malhotra	September 30, 2003	Bonus	650,000	10	6.295	[•]
Namit Malhotra	April 15, 2003	Cash	100,000	10	0.968	[•]
Total			2,565,800		24.849	[•]

*In accordance with 20% of the Post-Issue Capital would be locked-in for a period of three years from the date of allotment in this Issue. The exact number of Equity Shares to be locked-in for three years would be decided after finalisation of number of Equity Shares to be issued after pricing of the Equity Shares. The Equity Shares issued/ transferred last shall be locked-in first. The details will be filled-in after finalisation of Issue Price and number of Equity Shares to be issued.

The above promoters have vide their letter dated January 10, 2006 given their consent for lock. Shares issued last shall be locked in first. The Equity Shares of the promoters will be locked-in for the period specified above from the date of allotment of Equity Shares in this Issue.

Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of the sanction. In terms of clause 4.16 (b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter Group or to a new

Prime Focus Limited

promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Further, in terms of clause 4.16 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Other than as stated above, the entire pre-Issue equity share capital of the Company will be locked-in for the period of one year from the date of allotment of Equity Shares in this Issue.

- d. The following Directors hold Equity Shares as of the date of filing this Draft Red Herring Prospectus:

Sr. No.	Names of shareholders	No. Of shares of Rs.10 each
1	Naresh Malhotra	5,525,000
2	Namit Malhotra	1,240,000
3	Rakesh Jhunhunwalla	250,000
	Total	7,015,000

3. Equity Shares held by top ten shareholders:

- a. Our top ten shareholders and the Equity Shares held by them on the date of filing the Draft Red Herring Prospectus.

Sr. No.	Name	No. of Equity Shares held(Rs 10 each)
1	Naresh Malhotra	5,525,000
2	Reliance Capital Ltd	1,500,000
3	Namit Malhotra	1,240,000
4	Rekha Jhunhunwalla	632,500
5	Rakesh Jhunhunwalla	250,000
6	Adlabs Films Ltd	482,000
7	Manmohan Shetty	320,000
8	Neeta Malhotra	300,000
9	Anuj Joshi	75,000

- b. Our top ten shareholders and the Equity Shares held by them ten days prior to the date of filing the Draft Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name	No. of Equity Shares held(Rs 10 each)
1	Naresh Malhotra	5,525,000
2	Reliance Capital Ltd	1,500,000
3	Namit Malhotra	12,40,000
4	Rekha Jhunjhunwalla	632,500
5	Rakesh Jhunjhunwalla	250,000
6	Adlabs Films Ltd	482,000
7	Manmohan Shetty	320,000
8	Neeta Malhotra	300,000
9	Anuj Joshi	75,000

- c. Our top ten shareholders and the Equity Shares held by them two years prior to filing of this Draft Red Herring Prospectus:

Sr. No.	Names of shareholders	No. of Equity Shares held(Rs 5 each)
1	Naresh Malhotra	2,798,600
2	Namit Malhotra	550,000
3	Rivkaran Chadha	550,000
4	Neeta Malhotra	150,000
5	Neha Malhotra	200
6	Michael Gonsalves	200
7	Merzin Tavarria	200
8	Prakash Kurup	200
9	Huzefa Lokhandwala	200
10	Pritam Kaur Chadha	200

4. There are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

5. Shareholding pattern of the Company prior and post this Issue

Category	Pre Issue		Post-Issue Equity Capital			
	No. of Shares of Rs. 10/- each	% holding	No. of Shares of Rs. 10/- each (if Green Shoe Option is not exercised)	% holding	No. of Equity Shares (if Green Shoe Option is exercised in full)	% holding
Promoters	7,065,000	68.43	7,065,000	[•]	7,065,000	[•]
Mr. Naresh Malhotra	5,525,000	53.51	5,525,000	[•]	5,525,000	[•]
Mr. Namit Malhotra	1,240,000	12.01	1,240,000	[•]	1,240,000	[•]
Ms. Neeta Malhotra	300,000	2.91	300,000	[•]	300,000	[•]
Promoter Group	NA		NA	[•]	NA	[•]
Strategic Investors	482,000	4.67	482,000	[•]	482,000	[•]
AdlabsFilms Limited	482,000	4.67	482,000	[•]	482,000	[•]
Employees	NA		NA	[•]	NA	[•]
Others	2,777,500	26.90	2,777,500	[•]	2,777,500	[•]
Reliance capital Limited	1,500,000	14.53	1,500,000	[•]	1,500,000	[•]
Individual Investors	1,277,500	12.37	1,277,500	[•]	1,277,500	[•]
Public	-	-	[•]	[•]	[•]	[•]
Total	10,324,500	100.00	[•]	100.00	[•]	100.00

6. Buyback and Standby Arrangements:

Neither we nor our Directors or the Promoters, their respective directors or the BRLMs have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.

7. We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled "Objects of the Issue" on page no. [•] of this Draft Red Herring Prospectus.

8. At least 60% of the Issue shall be allocated to QIBs on a proportionate basis (including 5% thereof reserved for Mutual Funds). Further, upto 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 30% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.

9. None of the promoters have sold or acquired Equity Shares during the period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI.

Name of the Promoter	Purchased/ Sold	No. of Equity Shares	Price per Equity Share
Naresh Malhotra	Sold	75,000	NIL*

*The shares have been gifted to the transferee. Thus the price per share is Rs. NIL.

10. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

11. An over subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest multiple of minimum allotment lot while finalizing the basis of allotment.

12. 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 hereby have been listed.

13. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may constitute an employee stock option plan or issue equity shares or securities linked to equity shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.

14. Shares issued for consideration other than cash.

On November 30, 1999, our Company issued 850,000 shares as a consideration for takeover of business of M/s. True Colours, partnership firm owned by Mr. Namit Malhotra (3,50,000 shares) and Mr. Rivkaran Chada (5,00,000 shares), under the scheme of arrangement.

On April 1, 2000, our Company issued 26,50,000 shares as a consideration for takeover of business of M/s. Video Works, a proprietary concern owned by Mr. Naresh Malhotra, Promoter, under the scheme of arrangement.

On September 30, 2003, our Company has issued 40,00,000 bonus shares in the ratio of 1 share for every 1 shares held in the Company by capitalization of Rs. 400.00 lakhs from the free Reserves .

We have not issued any Equity Shares out of revaluation reserves.

15. At any given point of time there shall be only denomination of Equity Shares of our Company unless otherwise permitted by law and the Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.

16. We have 9 (nine) members as of January 5, 2006.

17. The Promoters' contribution brought by persons defined as promoters under the SEBI Guidelines is not less than the specified minimum lot.

18. As per Chapter VIIIA of the SEBI Guidelines, we have decided to avail of the Green Shoe Option for stabilizing the post - listing price of the Equity Shares. We have appointed ICICI Securities as the Stabilising Agent. The Green shoe Option consists of option to over allot up to [•] Equity Shares of Rs. 10/- each at a price of Rs. [•] per share aggregating Rs. 1,500 Lakhs representing 15 % of the Issue, exercisable during the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares in the Issue, and ending 30 days thereafter unless terminated earlier by the Stabilising Agent.

Prime Focus Limited

The terms of the Green Shoe Option are as follows:

The maximum number of shares	[•] Equity Shares of Rs. 10/- each at a price of Rs. [•] per Equity Share aggregating Rs. 1,500 Lakhs representing 15 % of the Issue size
The maximum increase in paid-up capital in case of full exercise of Green Shoe Option	Rs. [•]
Stabilisation Period	The period commencing from the date of obtaining trading permission from the Stock Exchange for the Equity Shares under the Issue, and ending 30 days thereafter unless terminated earlier by the Stabilising Agent.
Rights and obligations of the Green Shoe Lender	The Green Shoe Lender undertakes to execute and deliver all necessary documents and give all necessary instructions to procure that all the rights, title and interest in the Loaned Shares shall pass to the Stabilising Agent/GSO Demat Account free from all liens, charges and encumbrances. Before the Pricing Date, to transfer Loaned Shares to GSO Demat account. The Green Shoe Lender will not recall or create lien or encumbrance on the Loaned Shares till the completion of the formalities during the Stabilisation Period.
Rights and obligations of the Stabilising Agent	Open a special bank account under the name of "Special Account for GSO proceeds of Prime Focus Limited" or GSO Bank Account and deposit the money received against the over-allotment in the GSO Bank Account. Open a special account for securities under the name of "Special Account for GSO shares of Prime Focus Limited" or GSO Demat Account and credit the Equity Shares bought by the Stabilising Agent, if any, during the Stabilisation Period to the GSO Demat account. As per SEBI Guidelines, stabilise the market price of the Equity Shares only in the event of the market price falling below the Issue Price, including determining the price at which Equity Shares to be bought, the timing etc. On exercise of the Green Shoe Option, to request us to issue fresh Equity Shares and to transfer funds from the GSO Bank Account to us for such fresh issue of Equity Shares, within a period of two working days of the close of the Stabilisation Period.

	On expiry of the Stabilisation Period, to return such number of Equity Shares to the Green Shoe Lender either through market purchases as part of stabilising process or through the issue of fresh Equity Shares by us. To submit daily reports to the Stock Exchanges during the Stabilisation Period and final report to SEBI. To maintain a register of its activities and retain for three years. Net gains on account of market purchases in the GSO Bank Account to be transferred net of all expenses and net of taxes, if any, equally to the Investor Protection Fund of BSE and NSE.
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Objects Of The Issue

The objects of the issue are to raise capital for financing the expansion by enhancing the equipment in Indian operations and by setting up high end digital studios at Los Angeles, London and Dubai and set up high definition camera rental facility at Dubai.

The objects of the Issue also include creating a public trading market for the Equity Shares of our Company by listing them on the Stock Exchanges. We believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to use our Equity Shares for future growth opportunities.

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue-related expenses, is estimated at Rs. [•] lakhs.

The issue amount will be determined based on the Issue Price discovered through the book- building process. The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution or any independent organisation. Our capital expenditure plans are subject to a number of variables, including possible availability of working capital finance on acceptable terms; and changes in management's views of the desirability of current plans, among others.

In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in the other areas and/or the Company's internal accrual, and/ or the term loans/working capital loans that may be availed from Banks/ Financial Institutions. The balance proceeds of the Issue in addition to the above mentioned requirements, if any, will be used for general corporate purposes.

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

Proposed Utilization of funds being raised through the issue

The details of the proposed utilization of funds are as under:

Rs. In lacs

	Particulars	Amount
1	Domestic Expansion	2,725.00
2	Los Angeles Studio	1,500.00
3	London Studio	4,500.00
4	Hyderabad Studio	1,000.00
5	Long term working capital	1,000.00
6	Dubai Studio Setup	1,000.00
7	Issue Expenses	[•]
	Total	[•]

1. Domestic Expansion

A. VFX and animation expansion

We are currently in the process of setting up the Visual Effects and animation facility. The facility will be state of the art comparable to the VFX houses worldwide, with high speed network and storage solutions equipped with cutting – edge industry leading software's such as Maya, 3ds Max, Shake, After Effects, Combustion, FX plug-ins, etc. We believe that, when commissioned, it would be one of its kind Visual Effects facility in Mumbai ensuring every project is delivered to the creative satisfaction of the clients.

Royal Palms being very close proximity to the film processing laboratory of Adlabs Films Ltd., Mumbai where the company has its existing Digital Film Lab, there will be workflow efficiencies for the following

1. Compositing
2. 3D / CGI
3. Rotoscopy / Wire Removal
4. Titles and Motion graphics
5. Pre-visualization & Storyboarding

We believe that the VFX and animation industry is still at a very nascent stage and its true potential is yet to be realized. Internationally the top grossing films have been VFX/Animation oriented films wherein the Post-production/VFX budget averages to approximately 70% of the cost of production.

With spiraling labor costs and with greater expectations & reduced timelines, international production houses/VFX houses are looking to outsource part of the work to other studios to be able to sustain the demand variants of their local industry.

The facility being envisaged will cater to this outsourced demand, in addition to the local industry demand which is also expected to grow at a very fast space.

B. EQR Expansion / Upgradation

Video cameras

We are currently one of the market leaders in video equipment rental in the Mumbai market. With the further growth of the television market & changes in technology and delivery formats, in India, we believe there is significant opportunity to ramp up its existence presence in this segment via upgrading the outdated equipment with the latest in technology. Currently the our rental services are operating at more than 100% capacity utilization, the same is being met by outsourcing equipment from other equipment rental houses.

Film cameras

The company has plans to diversify into film equipment services. The Indian Film Industry has been witnessing significant change in the past couple of years. One of the significant development is institutional film financing which necessitates a professional approach to film making, from inception to completion. There is a sharp increase in the number of films being made, giving rise to demand for quality conscious, technologically advanced players in the film equipment services segment. We have identified this as an opportunity and has drawn up plans for film equipment services.

Film equipment services also will extend an added advantage of locking the producer from the shoot stage with us, going up the value addition chain.

High Definition Kit

High Definition is a new emerging standard for film and television production and delivery. High Definition with its quality advantages, is fast emerging as the preferred format for storage of Film and Television content. Also HD has emerged as a standard for restoration work for older film content.

We have been pioneering the use of High Definition for film making and has also partnered with producers and co-produced two HD films to date, enabling the industry to take the first step towards HD film production.

The management has identified further investment into High Definition kit, to be ready to take advantage of the efforts it has put into development of HD over the past year. It will also ensure that our kit will be upgraded and future proof, i.e. ready to meet the emerging demands of the film and television industries.

C. Other expansion / Upgradation

We have drawn up plans for organic growth of the existing studio businesses located at Santacruz and Goregaon in Mumbai. The management believes there is demand in the market for an additional telecine suite and an additional color corrector.

2. Los Angeles and London

We are in the process of acquiring existing studio in Los Angeles and London. The negotiations are at an advanced stage details. However, further details can not be disclosed at this stage, due to non disclosure agreement signed between the sellers and ourselves.

3. Hyderabad Studio

The break up of cost for the studio at Hyderabad is hereunder:

	Rs. In lacs	
Telecine Suite	600	
Sound Studio	100	
Editing - offline and online	200	
Furniture Fixtures / Office Equipment	100	1,000.00

The Hyderabad film market is one of the fastest growing markets in the South Indian film industry, with average number of films produced approx. the same as Mumbai Film Industry or Chennai market. With the productions in the region, starting to demand highly specialized services requiring the latest technology kits, we have drawn up plans to setup the latest state of the art technologically advanced studio to cater to the needs of this growing market.

With studios at Hyderabad, Chennai and Mumbai, we will also be able to leverage on the skills and expertise available across India, whilst the Pan - India presence will also ensure that the company will be spreading its risk across different geographical markets, each of which goes through its own cyclical phase of up and down, thus ensuring that PFL will not be subjected to the vagaries (ups and downs) of a single geographical market.

4. Dubai

The break up of cost for the studio at Hyderabad is hereunder:

	Rs. In lacs	
Telecine Suite	600	
Sound Studio	100	
Editing - offline and online	200	
Furniture Fixtures / Office Equipment	100	1,000.00

The local market in Dubai, with the upcoming film city and existing media city is expected to witness tremendous growth with more production shifting to Dubai. The Dubai government is actively encouraging film productions houses to use the city to shoot in Dubai and vicinity. With some of the Mumbai film production houses and international productions already starting to shoot in Dubai, we foresee a great potential in the Dubai market and has made plans to set up a post production and vfx studio in Dubai to service the need of the market.

5. Long Term Working Capital

Our primary liquidity needs have been historically to finance our working capital requirement and capital expenditure. We have relied on cash flows from operations to meet our working capital needs. We with the proposed investment plan are seeking to further enhance our position as a leading Indian Post-Production and Visual Effects service provider. In addition to continued investments in expansion, we intend to enhance our capabilities and address gaps in organization systems and processes, further develop, expand and strengthen our communication infrastructure to support our facilities, etc.

Prime Focus Limited

We currently enjoy cash credit facility from our Bankers Shamrao Vithal Co-operative Bank Limited to the tune of Rs. 100 lacs. With the growth in our business over the period as per estimations, the Company will require sufficient Long-term working capital.

Debtors, which primarily consists of dues from Advertising Agencies, Companies producing feature films, T.V serials is about 4 months. The credit period extended is typically 90 days, however, payments are generally received in 120-125 days from the Advertising Agencies and film producing companies. Hence the Company will have receivables of average 120 days. Since the Company provides services and no major expenses/raw materials are procured on continuous basis, amount payable to creditors are negligible.

Debtors - Domestic	
Films	180 days
Television	120 days
Advertising	90 days
Debtors - International	90 days
Working Capital Requirements for new facilities	
Hyderabad Studio	20% of Project Cost
Dubai Studio	20% of Project Cost
VFX Studio	20% of Project Cost
London Studio Acquisition	20% of Cost of Acquisition
Los Angeles studio Acquisition	20% of Cost of Acquisition

The working capital requirement has been calculated on the basis of additional working capital required over a period of next two-years and based on information in the table above.

	Rs. in lacs
<u>Existing Business (including expansion/upgradation)</u>	
Debtors - Domestic	1750
Debtors - International	1130
Creditors	1000
Additional Net current domestic assets:	1880
<u>International</u>	
Working Capital reqd. for acquisitions (London/LA) (5500*20%)	1000
Working Capital Required for new studios (Hyderabad, Dubai) (3100*20%)	620
Additional Net International Current Assets:	1620
Total Additional Net current assets	3500
Additional Working Capital Margin @ 30%	1000

All the above projections are based on management estimate and have not been appraised by any bank.

6 Issue expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Rs in lakhs	
Activity	Amount
Lead Management, underwriting and selling commission*	[•]
Registrars to the Issue	[•]
Legal Fees	[•]
Advertisement and Marketing expenses	[•]
Printing and stationery	[•]
Others (incl. Filing fees, listing fees, depositories Charges etc)	[•]
Total estimated Offer expenses	[•]

Means of Finance:

Rs. In lacs	
Particulars	Amount
Internal Accruals*	2325.00
Initial Public Offering	[•]
Total funds	[•]

* We would reduce the usage of internal accruals to the extent of funds raised on exercise of the Green Shoe Option.

Notes:

The entire requirement of funds is proposed to be funded through IPO. In case of shortfall, if any, the same shall be met out of Internal Accruals.

Schedule of Implementation

Activity	Start	Completion	Commencement of Services
Domestic Market	Apr-06	Mar-07	Apr-06
Dubai	Oct-06	Dec-06	Jan-07
Los Angeles Studio	Apr-06	Jun-06	Jul-06
London Studio	Feb-06	Mar-06	Apr-06
Hyderabad Studio	Jul-06	Sep-06	Oct-06

Prime Focus Limited***Proposed Deployment of Funds in the Project***

Rs. In lakhs

Particulars	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Domestic Studios	1250	500	500	475	2725
London Studio	4500	-	-	-	4500
Los Angeles Studio	1500	-	-	-	1500
Hyderabad Studio	-	1000	-	-	1000
Dubai Studio	-	-	-	1000	1000
Issue expenses	600	-	-	-	600
Working capital margin	250	250	250	250	1000
Total	8100	1750	750	1725	12325

General corporate purposes

In case of excess funds received, our management in accordance with the policies set up by our Board will have flexibility in applying the balance proceeds of this Issue, for general corporate purposes. We seek to further enhance our position as a quality service provider for integrated post production and special effects business in the media and Entertainment industry.

No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or group companies.

The interim use of the balance funds is explained in the para titled "Interim use of funds".

Appraisal

The project of our Company has not been appraised by any bank or financial institution.

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 authorized by our Board or a duly authorized committee thereof.

Monitoring of utilization of funds

Our Board will monitor the utilization of the proceeds of the Issue. No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or companies promoted by our Promoters except in the course of normal business.

Basis For Issue Price

The Issue Price will be determined by us in consultation with BRLMs, on the basis of assessment of market, demand for the Equity Shares, by way of Book Building Process.

Qualitative Factors:

- We are a consistently profit making company
- Prominent player in the industry with strong brand equity
 - High customer retention
 - Loyal base of vendors which enable PFL to effectively manage capital cost requirements
 - Established network and goodwill in the industry
- Young, dynamic and motivated creative team
 - The team's high client credibility allows PFL to charge premium over competitors
 - Core team of employees over the years with negligible attrition rate
- Focused Management
 - Clear vision on future growth path
 - In depth understanding of domestic industry structure, players and drivers
 - Our company was the first company to obtain an ISO 9001:2000 certificate for Management of Post-production activities for Ad-films, Feature Films & TV Serials.
- State of the art Technology
 - Effective use of technology to meet domestic demand
- Our integrated service offering give us an edge over other players in the industry.
- The international visual effects and animation industry is estimated at \$45 billion with entertainment industry accounting for \$37 billion of the animation services. We are perfectly positioned to exploit the opportunity for these outsourced services due to its technology, and creative talent

Quantitative factors

1. Weighted Average Earnings Per Share (EPS) of Rs. 10 face value

Period	PAT (Rs. In lakhs)	No of shares	EPS (Rs.)	Weights
Year Ended March 2003	231.99	8,000,000	2.90	1
Year Ended March 2004	330.11	8,342,000	3.96	2
Year Ended March 2005	824.48	8,703,875	9.47	3
Weighted Average EPS			6.54	

2. Price /Earning* Ratio in relation to issue price is [•]

- a. Based on March 31, 2005 adjusted EPS of Rs. 9.47
- b. Based on Weighted Average EPS of Rs. 6.54

*would be calculated after discovery of the Issue Price through Book-building

3. Weighted Average Return on Networth

Period	PAT (Rs. In lakhs)	Networth (Rs. In lakhs)	RoNW %	Weights
Year Ended March 2003	231.99	1,299.04	17.86	1
Year Ended March 2004	330.11	1,960.20	16.84	2
Year Ended March 2005	824.48	3,103.89	26.56	3
				6
Weighted Average Return on Networth			21.87	

4. Minimum Return on increased Networth required to maintain pre issue EPS [•]

5. Net Asset Value per share (NAV) pre issue.

Period	Networth (Rs. In lakhs)	No of shares	NAV
Year Ended March 2003	1299.04	8,000,000	16.24
Year Ended March 2004	1960.20	8,342,000	23.50
Year Ended March 2005	3103.89	8,703,875	35.66

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. Net Asset Value after the issue [•]

Issue price per Equity share: Rs.[•]

Issue Price per Equity Share will be determined on conclusion of book building process

7. Comparison with Industry Peers

We are in the business of providing integrated Post Production, Special Effects and Digital Intermediate services to our clients in the Entertainment Industry. We believe that there are no comparable listed companies in the Post Production, Special Effects and Digital Intermediate space.

8. The face value of Equity Shares of our Company is Rs. 10 and the issue price is [•] time of the face value.

The issue price of Rs. [•] is determined by our Company in consultation with the BRLMs and is justified in view of the foregoing qualitative and quantitative parameters.

Investors are requested to see the section titled “Risk Factors” on page [•] of this Draft Red Herring Prospectus and the financials of our Company including important profitability and return ratios, as set out in the Auditors Report on financial statements on page [•] of this Draft Red Herring Prospectus to have a more informed view. Provided however that the Issue Price for the Equity Shares in this Issue, has not been determined solely on the basis of such profitability and return ratios, financial statements or other forward looking statements. The Issue Price will be determined on the basis of demand from Investors upon completion of the Book Building process.

Statement Of Tax Benefits

The Board of Directors,
Prime Focus Limited

Dear Sirs,

We hereby certify that the enclosed annexure states the tax benefits available to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and other direct and indirect tax laws presently in force. The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

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 legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

Sd/-

V. Shivkumar
Proprietor
For and on behalf of
V.Shivkumar & Associates
Chartered Accountants
Membership No.: 42673
Place: Mumbai
Date: 22 December, 2005

Prime Focus Limited

The following tax benefits shall be available to the Company and the prospective shareholders under the Direct & Indirect Tax Laws.

TAX BENEFITS

(A1) BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961

1. Subject to the Compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 (hereinafter referred to as "the Act") the Company will be entitled to a deduction for depreciation.

a) In respect of tangible assets.

b) In respect of intangible assets being in nature of know-how , patents, copyrights, trademarks ,licenses, franchises or any other business or commercial rights of similar nature acquired on or after the 1st day of April,1998 at the rates prescribed under the Income Tax Rules 1962.

c) Under section 32(1)(ia) of the Act the company would be entitled to additional depreciation @20% of the actual cost of new Plant and Machinery during the previous year ending on or after 31.03.2006 subject to the fulfillment of other conditions specified under the said Section.

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

3. Under section 115JAA(1A) of the Act tax credit shall be allowed of any tax paid (MAT) under section 115 JB of the Act for any Assessment Year commencing on or after 1st April 2006.Credit eligible for any carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such Mat credit shall not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose.

(A2) Under the Income Tax Act, 1961 (IT Act)

Resident Members

4. By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from domestic Company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the shareholders.

5. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity share in a Company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

- a) The transaction of sale of such equity share is entered into in a recognized stock exchange in India.
- b) The transaction is chargeable to such securities transaction tax as explained below.

6. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a Company through the recognized stock exchange is liable to securities transaction tax at the rate of 0.075% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller. The finance bill 2005 has proposed that effective from June 1, 2005 the securities transaction tax rate on any delivery based purchase and sale of equity share in a Company through the recognized stock exchange will be increased to 0.1% of the value payable by both buyer and seller. Similarly the finance bill 2005 has also proposed

that effective from June 1, 2005 the securities transaction tax rate on non-delivery based sale transactions will be increased to 0.02% of the value payable by the seller.

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

8. In terms of section 10(23D) of the IT Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the Company.

9. Under section 48 of the Act, if the Company's shares are sold after being held for more than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

10. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of six (6) months after the date of such transfer for a period of at least three (3) years in bonds specified in that section.

If only a part of the Capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amounts so exempted shall be chargeable to tax subsequently, if the Bonds are transferred or converted into money within three years from the date of their acquisition.

11. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of six (6) months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -

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

12. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

13. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10 (38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however,

Prime Focus Limited

be limited to 10% (plus applicable surcharge) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

14. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the Company on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge).

Non-Resident Indians/Non Resident Shareholders (Other than FIIs & Foreign Venture Capital Investors)

Apart from benefits as mentioned in points 4,5,6,7,10,11,12 and 13 above.

15. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:-

a) Under section 115E of the Act, where shares in the Company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessional tax at the flat rate of 10% (plus applicable surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).

b) Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

Foreign Institutional Investors (FIIs)

Apart from benefits as mentioned in points 4,5,6,7,10 and 11 above.

16. The income by way of short term capital gain or long term capital gains (not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

a) Short term capital gains – 30%/10% (plus applicable surcharge and Education Cess)

b) Long term capital gains – 10% (without cost indexation plus applicable surcharge and Education Cess).

(Shares held in the Company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

Venture Capital Companies/Funds

17. In terms of Section 10(23FB) of the Act, all Venture Capital companies /Funds registered with Securities and Exchange of India , subject to the conditions specified are eligible for exemption from Income Tax on all their income, including dividend from and income from sale of shares of the company.

(A3) Under the Wealth Tax Act, 1957

18. Shares held in a Company will not be treated as an asset within the meaning of Section 2(ea) of Wealth Tax Act, 1957; hence Wealth Tax Act will not be applicable.

(A4) Under the Gift Tax Act, 1958.

19. Gifts made after 1st October 1998 is not liable for any gift tax and hence gift of shares of the company would not be liable to any gift tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance (No.2) Act, 2005.
2. The stated benefits 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 nature of Tax consequences , each investor is advised to consult his /her own tax advisor with respect to specific tax consequence of his /her participation in the scheme.

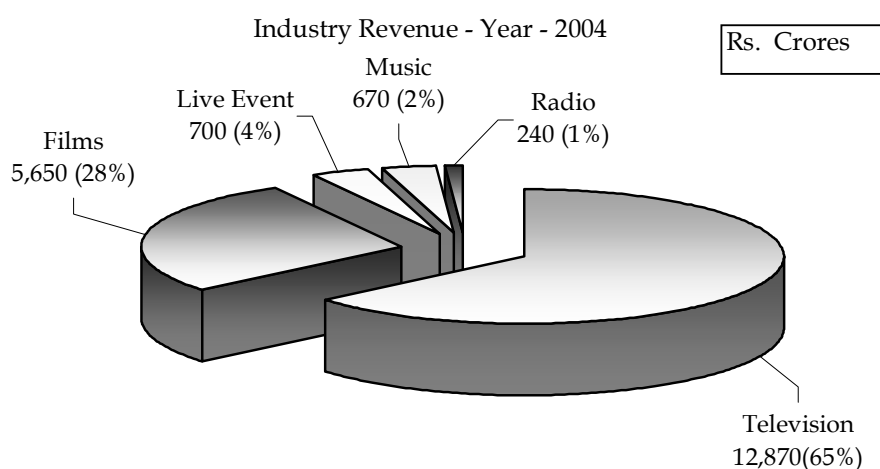
Indian Entertainment Industry

Overview

The information presented in this section has been extracted from publicly available documents from various sources such as the ¹FICCI - PricewaterhouseCooper's Report on the Indian Entertainment Industry. The same has not been prepared or independently verified by the Issuer or the BRLMs.

According to the Report published by the FICCI-PricewaterhouseCooper's (FICCI -PWC) titled "Indian Entertainment Industry-An unfolding opportunity" in 2005, the Indian Entertainment Industry is one of the fastest growing sectors of the Indian economy riding on the economic growth and rising income levels that India has been experiencing in the past few years. The Entertainment Industry is expected to grow faster than GDP growth and consequently more spend is expected on leisure and entertainment. Convergence is the mantra for Indian Entertainment Industry for the next five years. With the economy's growth prospects poised for a quantum leap in the next five years, the Indian Entertainment Industry is expected to outperform the growth in the economy by a significant margin in the coming years.

The Indian entertainment industry, largely comprising films, television, music, radio and live shows stands at over Rs.20,000 crore (US\$ 4.5 billion) today. Overall, it is expected to grow at the rate of 18% per annum compounded annually over the next five years to reach over Rs.45,000 crore (US\$ 10 billion) by 2009.



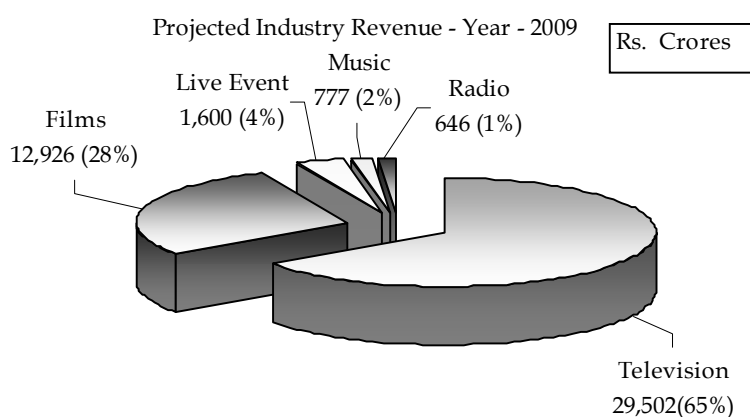
Source : FICCI -PwC

Future Outlook

Technology will drive the Entertainment Industry into the next decade. In the new converged paradigm, its boundaries will be merged with those of the Telecommunications & Information Technology segments.

Growth in television advertising, being linked to the GDP of the economy, is expected to outperform it by at least five per cent in the coming years. It is projected to grow between 12 - 14% over the next five years to reach over Rs.9,400 crores by 2009. Emergence of niche channels is expected to boost the realizations for the broadcasters along with the corrections in regulations in the distribution segment. Content producers' revenues are likely to witness similar growth due to increases in the content spectrum, which are expected to grow at 16% per annum compounded annually over the next five years. Delivery of content over newer wireless delivery formats is expected to open a new revenue stream for such content producers.

The film segment is expected to rise on the growth of multiplexes and digital distribution formats. From the present size of Rs.5,650 crore, it is expected to grow more than double in size to Rs.12,926 crore by 2009. Growth in television advertising, being linked to the GDP of the economy, is expected to outperform the economy by at least five per cent in the coming years. It is projected to fall between 12-14% over the next five years to reach over Rs.9,400 crore by 2009. The Indian animation industry currently of the size Rs.2,793 crores (US\$ 0.6 billion) and is expected to touch Rs.6,983 crores (US\$ 1.5 billion) by 2005.



Source : FICCI -PwC

Post Production and Special Effects

Global Outlook

The global visual effects industry initially began with technology being the differentiator amongst companies where the size of the capital base and amount of capital expenditure were the primary drivers. This resulted in large studios that could afford investment in technology at the premiums quoted then, being set up in Hollywood.

As technology grew increasingly commoditized with differentiation amongst the studios decreasing, creative talent moved to the forefront with independent creative personnel setting up seat facilities while larger work stayed with the studios. As a result the big studios accounted for only 12% of the total number of studios, but for 60% of the total post production/ VFX seats.

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The demand from audiences for distinctive content has the industry continuously looking to improve viewership experience. Internationally, visual effects films have on an average grossed 40% more than other films, and the top grosser each year over the last few years has been a visual effects splendor.

The six studios, controlling approximately 60% of the world market, are continuously identifying newer facilities across the world to allocate jobs at a cost competitive level. Existing studios are also looking at outsourcing part of the jobs outside provided quality is maintained such that costs can be curtailed to sustain profitability. Over the last years, VFX work has moved internationally from the USA to Europe and then Australia and New Zealand Internationally (outside the US), studios were set up as the need for post production work grew, once films started being shot in different locations. As projects were executed, the experience within the segment grew and progressively moved into more creative services. As a result studios grew into special effects studios, garnering outsourced work from international studios and production companies alike.

The recent example has been New Zealand, as the “Lord of the Rings” was shot there, the New Zealand post production/ VFX facilities started to flourish. The Asia Pacific region has garnered a larger piece of the animation production pie between the years 1996 to 2002 primarily due to lower labour costs as well as lower cost computer animation platforms and production facilities.

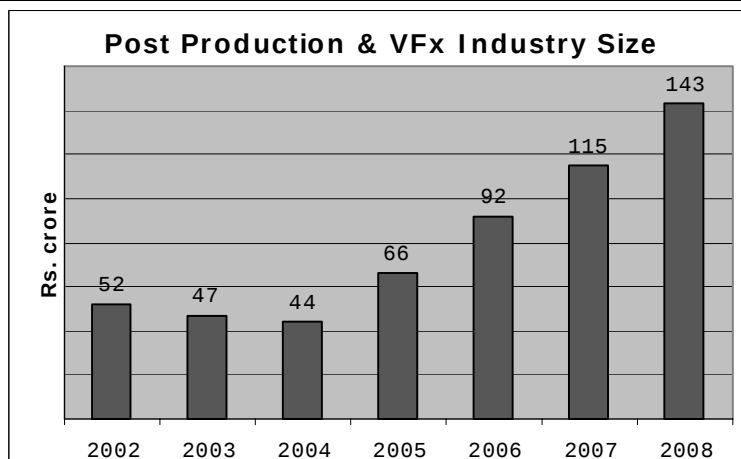
Canada is also a major outsourcer of visual effects and animation services as it has the maximum number of TV channels that show only animated content 24 hours a day.

Indian Outlook

Digitalisation is the future of television and film industry and will also revolutionise the same by bringing out faster and cheaper modes of delivering films to consumers.

The Indian special effects segment is still at a nascent stage and currently limited to commercials and simple effects in feature films. It is a highly fragmented market characterized by several small studios. Current estimates put the number of studios at 75. Presently most of the outsourced work in India involves 2D animation, which is primarily volume driven and requires large infrastructure investment. International trends point towards outsourcing of 3D animation, Visual Effects and post-production services.

The post-production industry is currently estimated at Rs.500 crore and is expected to grow to Rs.1,000 crore by 2007. International outsourced work and mainstream films, currently accounting for Rs.65 crore of the total market is estimated to grow to Rs.400 crore. The increase in multiplexes has led to a demand for more visually appealing films, leading to an increased allocation for visual effects. Corporatisation and international partnerships as well as tapping of global markets is forcing Indian filmmakers to ensure that the films have an ‘international look’. Newer revenue streams such as brand merchandising, and in-film advertising has increased the spend on visual effects and post production. The average budget for post production and visual effects is expected to rise to 25% (up from 15%).



Source: NASSCOM report, Industry Estimates

The Indian film industry's contribution towards visual effects and postproduction is expected to grow from the current size of Rs.52 crore to Rs.143 crore by 2008. (Source: FICCI study 2003).

The Indian film industry is one of the largest in the world, if considered by the total number of films produced in a year (more than one thousand films). However, the average production cost per film in the Industry is much smaller than that of its global counterparts. A major transition that the Indian film industry has undergone is in the marketing of the film. Marketing of films includes the cost of promotional clips ("promos"). The promos require significant post-production support in terms of technology, editing, special effects etc. These requirements have increased in the recent past and are expected to continue to do so, thereby creating significant business opportunities for players in the post-production industry.

Internationally, Visual Effects (VFX) and post production businesses are increasingly facing two key challenges viz. Cost efficiency and effective project time management. International companies are looking for other low cost destinations to outsource part of the standardized and process driven low-end work, which can be completed at a lower price than it would normally cost while ensuring adequate distribution and delegation of work as well as adhering to quality. India with its low cost advantage, a strong domestic film industry and a largely English speaking workforce is in a prime position to take advantage of this opportunity.

India is steadily growing into a major cost effective outsourcing destination for animation and special effects. The size of the Indian visual effects industry is currently estimated at approximately Rs.3,000 crore, growing at approximately 30% over the last few years. According to Nasscom, the size of the animation industry itself is Rs.2,500 crore. Special effects and other services account for the remaining Rs. 500 crore.

Compatible with multiple formats, the visual effects industry caters to a host of international and domestic clients in the field of information technology (IT), education software, advertising and entertainment among others.

As the global demand for visual effects continues to increase, a significant portion of this demand will be generated by the entertainment industry alone. Nasscom forecasts that the global entertainment market is likely to generate a demand for animation production services of US\$ 5 - 7 billion by 2005, while the demand in the non-entertainment sector is likely to touch US\$ 1.5 billion.

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Industry Evolution

Visual Effects and animation in India was pioneered by the Indian advertising industry. Television channels were the other major exponents of this service Channels like Sun, Sony, Star and Zee are some of the channels that use animation for promos, automated real time graphics etc.

In the initial years, companies that provided standardised services characterised the market in India. Over the last couple of years, many new studios have been set up in India aided by the fact that the infrastructure requirements for setting up a medium sized visual effects studio in India are not very high. The demand for these services was the result of the boom in the TV sector in the late 1990s and the growth of the TV ad market in the same period. However, most of these companies are operating at the low end of the value chain with virtually no single studio offering an integrated service. Over the years, as services became increasingly standardized, it became necessary for studios to move up the value chain and enter the lucrative film segment. The 1990's also saw the merger of a few animation studios like United Studios and Ram Mohan Biographics. Another strategy followed by existing players was to partner with studios in the West for co-production and sub contracting activities.

With increasing scale and technology the domestic service companies need to look towards international markets for achieving scale of operations to sustain continued growth and infrastructure investments. Towards this end investment in international marketing is critical (either through a front – end office in US, UK or Australia which could be standalone or an acquisition) Domestic visual effects service infrastructure also needs to be boosted to market the destination as an “A” Class outsourcing location, which has the capability to handle large projects and deliver within time schedules.

Visual Effects – Key growth factors

The growing importance of visual effects in films

Computer generated (CG) effects are an integral part of most films. Every film which is a visual extravaganza requires not only the trappings of set design and construction, costume and make up but also a visual effects department which is responsible for producing images that are otherwise virtually impossible to create by conventional means.

The art of special and visual effects encompasses a range of specialised crafts including animation experts, matte painters, computer graphics specialists, stop motion masters, model makers, miniature artists and post production experts who manipulate film imagery to achieve dissolves, transparencies and other visual effects. Hollywood spends a significant amount on animation and special effects, which are considered to be an integral part of film making. In the US, visual effects oriented films gross on an average, 40% more than films of other genres and have been some of the most successful films in recent years.

Though India is yet to produce films heavily dependent on visual effects (as in the West), the increasing spend on visual effects by mainstream India films is on the rise. This expenditure is no longer being considered a post-production add-on. Indian producers have realised that apart from enhancing the aesthetic appeal of a film, the use of technology can also substantially lower costs by eliminating certain overheads. For instance, costs of traveling to various locations for shoots can be substantially reduced.

Post-production and animation

Presently, due to lack of adequate facilities in the country, a significant proportion of the visual effects related work for the Indian film industry is done overseas. However, Indian producers are increasingly seeking competitive domestic alternatives as a more cost effective option as compared to offshore visual effects studios.

Over the last few years, many new post-production studios have been set up in the country. This has been aided by the relatively low infrastructure requirements for setting up a medium sized visual effects studio in India.

Infrastructure requirements for visual effects studio

The large film production studios possess the necessary state of the art equipment, hardware and software like SGI, 3DMax and SoftImage, SFX and processing motion capture facilities. These multimedia workstations have requisite in-house trained resources who can work with a wide range of products like SoundBlaster, Video Blaster, Digital cameras, Frame Grabbers, MPEG cards and video conferencing solutions. Advanced sound editing and post-production suites, that come along with leased lines for ISDN data transfer, make these workstations a viable option.

However, most of these outfits still operate well below their true capabilities at a relatively low end of the value chain. They are yet to take appropriate initiatives in terms of adequate quality control and building the requisite critical mass to move up the value chain. Also, no Indian studio has yet been able to integrate all the segments to be able to offer large-scale, end-to-end services for discerning clients. As a result, India continues to remain an outsourcing destination for developed countries. There have been only a few notable instances of creative collaboration.

With prospects of increasing domestic and overseas business in the future, it is imperative that Indian post-production and animation outfits make the necessary investment in technical and human capital to become globally competitive, not merely in terms of costs but more importantly in terms of quality and creativity.

Global Impact of these Technologies

These technologies are making substantial changes, and opening up significant opportunities, for the industry globally. Among the most significant of these changes are:

- Increased output and decreased turn-around time for film making;
- Changes in company structures from large, vertically-integrated structures (the major studios) to ones who outsource more services, including internationally;
- The ability to use talents and skills on more than one production at a time, e.g., a director approving special effects work on an already-shot film, while on location and shooting the next film;
- Increase in the speed and flexibility of program design;
- Significant process changes in program design and material processing, including digital film making for special effects and animation;
- Changes in the distribution market, from being focused on theatrical distribution to include broader entertainment sectors such as video, cable, satellite, and eventually internet-based distribution; and
- The industry is becoming more footloose, with the so-called 'runaway' productions able to leave the major studios and be made overseas, and areas such as post-production, special effects, etc, being outsourced.

Our Business

Prime Focus is about people. We believe that it is only people that create. In a business dominated by cutting edge technology we have firmly believed that machines are only our tools and it is the attitude, talent, hardwork and persistence that has brought us to where we are.

It is our commitment to work with our clients in an environment where creativity matures and an attitude to facilitate the progression of ideas into vision that stimulate and satisfy our creative desires.

To learn first and then provide the very best to the growing demands of our customers, we strive to pursue this philosophy into reality through our evolution.

Company Overview

We are one of India's biggest integrated end to end post production and visual effects services house. We offer a comprehensive spectrum of services ranging from visual effects, digital film lab (digital intermediate, high-resolution film scanning and film recording), telecine, editing, and motion control to High Definition production.

We have consistently adapted in the face of evolving client needs. Our full service capabilities empower filmmakers, ad film makers and television producers with the newest tools and techniques to refine their work in the post production & production environment. We have provided the entertainment industry with a superlative creative experience.

Our talent is considered to be the best in the business providing our customers personalized high-quality service to help them meet the growing demands of the film and broadcast industries. Our work is steadily changing national perceptions.

Source: Company Management

History

We began as proprietary concerns started by our founders – Video Works (EQR) of Mr. Naresh Malhotra and Video Workshop (Post Production – NLE) of Mr. Namit Malhotra. Both the firms were merged in 1997, to form Prime Focus as a consolidated entity built up of advanced technology and inhabited by selective native talent. Since then, we have grown to become one of the leaders of Asia in post production and visual effects services with locations & partners across the world. With our creativity and customer service, we have established ourselves as is a sought after destination in the country for post production services in feature films, visual effects, digital intermediate, ad-films, music videos, broadcast design and TV shows.

We have been a pioneer in the use of digital technologies in post production for the past decade and continue to lead the industry.

Major Milestones

1995-1996: Non-Linear Editing, TV Serial Editing

Video workshop, the proprietary concern, pioneered the non linear editing revolution by installing the Media 100 system way back in 1995 to cater to the lower end television shows.

1996 - 1997

Prime Focus emerged as one of the leading television post production facilities with 23 shows per week on broadcast.

1997: Online Systems, Ad and Music video editing

We entered the growing music video and commercials market through the acquisition of one of the earliest Discreet Fire system. This enabled our company to establish itself in the broadcast design, ad films and music videos market as a creatively charged and talented unit. We are now one of the largest Discreet Fire / Smoke site in the world.

1998 - 1999:

We consolidated our position in the commercials and broadcast design space as one of the top companies and created a niche in the highly demanding domain of commercials.

2000: Telecine, Film Promos

Lead by the strategy of integration through technology, we set up one of the best telecine facilities to cater to the growing demands of commercials and feature films. Most telecine at the time was being done internationally due to the lack of quality facilities within the Country. We were the first company to train our people outside India on the color correction technologies. We were also the first to bring in an expat colorist to make sure the market got what they wanted and we groomed our local talent under the experience of expats. This gave us an instant world class profile and the best local talent. We have emerged as the largest site for Thomson Spirit in the Asia - Pacific region.

2001 -2002: Film Scanning/Recording, ISO certification

After having built a quality profile on telecine, we decided to get into the feature film space by offering film scanning and recording services. There again we brought in the best scan and record systems. This led to our foray into visual effects and Digital Intermediate. We also made the first Indian film shot on DV.

2003: Digital Film Lab

After having built expertise in the digital film world, we pioneered into the Digital Intermediate ('DI') space delivering the first DI in July 2003. We set up a world class DI facility with the same specification of kit and processes as followed at other successful centers of the world. This has created a major change in the way films get finished and the overall standard with regard to visual enhancement is clearly visible in the films being made today in Indian Film Industry.

We also set up the first fully integrated and calibrated digital intermediate pipeline for frame by frame feature film colour grading / restoration in India.

We introduced the Motion control rig ('MILO') in India which is the first and only such rig in India, till date. The rig was got to help execute visual effects sequences which were earlier not even conceptualized.

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2004: Mocon / Visual Effects and Expansion of DI

In order to build the market and demonstrate our confidence in the space we co – produced the first visual effects film titled ‘Gayab’ (Invisible). This was co – produced with the eminent Ram Gopal Verma’s company and met with reasonable success while our work was greatly appreciated.

Continuing the trend We, introduced the first Panasonic Varicam HD camera and co –produced another high profile film called ‘Life Ho To Aisi’ with Indian stars and eminent director Mahesh Manjrekar which released in 2005 and got critical reviews for its special effects work

In July 2004, we set up a world class DI facility through a strategic partnership with India’s premier laboratory ‘Adlabs’ offering end to end services and with the depth of infrastructure being larger than most in the world.

(Source : Company Management)

2005 Geographical Expansion

To provide the commercials industry with a boutique facility, with infrastructure and interiors at par with international studios, we setup a studio in Lower Parel, Mumbai. Also a facility in Chennai has been commissioned to cater to the South Indian Film market.

Technology Profile

We have one of the world’s largest and most advanced technology infrastructures. We are also one of the largest Autodesk Fire / Smoke site in the World. PFL has the largest installed base of telecine suites, and is Thomson’s biggest site in Asia Pacific region.

Telecine

- Spirit Datacine 4K
- Spirit Datacine HD/SD 2K
- Da Vinci 2K
- Pogle Megadef
- Ursa Diamond Keycode Telecine

Visual Effects

- Discreet Inferno / Flame
- Shake (with furnace and motion)
- After Effects / Combustion
- Maya / 3DS Max

Milo Motion Control Rig

Digital Film Lab

- Northlight Film Scanner (4K/2K)
- Spirit Datacine HD/SD 2K
- Lustre Grading Systems
- Arri Laser (Film Recorder)
- Celco Fury (Film recorder)
- Discreet Smoke / Fire

Ancillary

- Sound Studios
- Avid / Media 100 / FCP

High Definition Production

- HD Camera kits and accessories
- HD Editing and Finishing
- HD to Film

Services Profile

Telecine

Dailies (SD/HD)

We specialise in dailies telecine transfer for feature films and have capabilities to offer High Definition dailies as well.

Our dailies transfer telecine's are situated within India's biggest laboratory, Adlabs, ensuring that telecine is completed immediately after processing without any delays.

Spirit

At Prime Focus we have in the offering Spirit 4K and the classic Spirit. We have the largest installed base for Thomson's Spirit Telecine's in Asia - Pacific region.

We are the only company in India, which has a locally trained talent pool of some of the finest colorists in the business today. Apart from local talent, we also have expats working for us from Europe and US.

Our grading suites are equipped with full spec Pogle Megadef and Da Vinci 2K which provides unparalleled picture quality and superior color control. Our suites offer the film maker, the ultimate in digital film transfer.

Feature Film Mastering (PAL/NTSC/HD)

We provide High Definition film mastering services for feature films and for Digital Cinema applications in India. Our telecine services are also highly demanded by feature film production companies for satellite masters.

Visual Effects

CGI

At Prime Focus, we have been continuously advocating the increased use of CGI in Indian films. We have trained and recruited some of the finest CGI talent and continue to expand the same, pushing the overall industry standard.

Compositing

At Prime Focus, we proudly boast of having some of the finest compositors in the industry, whose work is steadily changing perceptions of the ability and quality of Indian talent.

Seamless compositing is a given. Our compositor's creative and technical expertise has been fundamental in Prime Focus producing world-class visual effects. Our compositors are supported by a team of trained rotoscoping, wire and rig removal and tracking/keying artists.

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Title Design

At Prime Focus we have created some creatively charged spell bounding title sequences, wherein the entire project, right from creative conceptualization to execution was handled by us. Our team of creative editors, digital artists and traditional artists create title sequences that make a difference.

VFX Supervision

Our experienced Visual and Digital effects supervisors together, manage all creative, technical and logistical issues ensuring timely execution and delivery on each visual effects project.

With our visual effects supervisors being involved right from inception stage, creative potential is fully realised.

Animatronics

Our animatronics department is newly established, but is capable of handling projects involving miniatures and puppets.

Digital Film Lab

Digital Intermediate

We have the premier Digital Film Lab in India with a quality spec comparable to any other in the world. We have also been credited with introducing this technology in India and having done the first full length feature way back in July 2003.

Since inception, we have completed 30 full length features. This further illustrates the robust pipeline that Prime Focus has successfully engineered which it continues to expand.

The pipeline consists of the following components:

- Editorial Prep
- Scanning
- Assembly
- Color Correction
- Dustbusting
- Digital Opticals
- VFX
- Digital Preview
- Recording
- Digital Deliverables
- Digital Sub-titling for Negative

Our digital film lab is fully calibrated; ensuring 100% consistency when the final print is projected in cinema hall's worldwide. With the largest installed capacity for Digital Intermediate in Asia – Pacific, Prime Focus, has capability to handle multiple projects at the same time whilst ensuring quality check on each project.

Hi-Resolution Film Scanning & Film Recording

At Prime Focus we also act as a bureau facility for scanning & recording services to other visual effects / digital post houses. We have the only 4k/2k pin registered scanner in India and we have also developed our proprietary technology to ensure that we can capture and reproduce the information correctly.

Tape to film (incl. Hi - Definition)

We pioneered the digital film making revolution in India and outputted the first DV to film and HD to film successfully. We were benchmarked with reputed facilities in Los Angeles and Australia and we delivered perfectly. We also enjoy loyal patronage from advertisement media houses, advertisement agencies, television networks and production houses for tape to film transfers.

Digital Opticals

As the term suggests all kinds of dissolves, ramps, color changes, flashes, fades, title scrolls, etc are done digitally. The greatest challenge in executing digital optical is the consistency of matching the digital v/s the real film. Our proprietary calibration technologies have enabled that the shots in a scene look absolutely seamless. Prime Focus has executed digital optical for more than 100 feature films successfully.

Deliverables

We offer feature film production companies a one stop shop solution for all deliverable requirements including:

- a. IP's (Digital or Optical)
- b. IN's (Digital or Optical)
- c. Sub - Titled Negative
- d. Textless IP and IN
- e. Answer Prints
- f. Check Prints
- g. PAL & NTSC, all aspect ratios
 - o Full Frame
 - o Letterbox
 - o 16:9 Original Projection aspect ratio
 - o 16:9 Full Height Anamorphic
 - o 4:3 Pan and Scan
- h. HD

Milo Motion Control RIG

We introduced the first and yet only world-class Milo Moco Rig in India, to give further impetus to the use of visual effects in Indian feature films and advertising films. The rig is ably supported by a full service crew (trained extensively by internationally acclaimed professionals), involving operators, engineering and attendants to ensure ease of setup & operation across any shooting locations in the world.

H D Production

• HD Cameras

Prime Focus pioneered HD production in India, by introducing the first High Definition Cameras in India. At Prime Focus we have the Panasonic Varicam. The camera is supported with a full accessories kit (ultra prime lenses, HD monitors, waveform monitor) and attendants.

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- **HD Post**

We have a complete lineup of suites fully geared to handle HD projects including offline and online. Our Smoke's are HD (10bit) enabled and we have, both FCP and Avid HD systems for offline editing.

- **HD to Film**

We have outputted the first full length High Definition feature film and currently have multiple HD projects in or pipeline. Our HD pipeline, is fully calibrated and our high dynamic range HD enabled color correction systems allow for shot by shot color correction before output to film enabling a fantastic look i.e. like film.

Ancillary Services:

- **EQR**

Apart from professionals including engineers, supervisors and other technicians, we have an equally huge inventory of high quality video equipment for indoor and outdoor shootings. We specialise in **Multi-Camera Setup's** for Live Events, Game Shows, Concerts etc.. Some of the equipments available for rentals include digital cameras, HDV cameras, full Triax setups, digital and analog betacam recorders, waveform monitors, video-scopes, projection screens, camera talkback systems, projectors along with the services of technicians.

- **Sound Studios**

We commissioned two sound studios recently. This represents a move into modern music recording and post production, establishing new standards for sound studios in India, acoustic and aesthetic. The sound studios would cater to the advertising films enhancing the service profile of Prime Focus to become a truly end to end integrated studio for advertisement films.

- **Offline Editing**

As Prime Focus, we have our roots firmly entrenched into offline editing services. We started as an offline editing company, became the best in offline editing and are currently maintaining our position and standard. We are known for our editors who have creatively set benchmarks in the industry and keep raising the bar.

We have a totally separate lineup of suites geared with the latest NLE machines. We also have linear suites (Digi A/B/C roll) for cut to cut editing requirements. Together with our brilliant editors the offline editing setup churns out a demanding number of edits per day. We also rent out NLE systems for dry hire in studio or at client location.

- **Interformat Transfers**

We have a dedicated team of professionals to carry out inter-format transfers for your final master to be delivered to the channel or for other requirements. Being an extremely crucial service oriented work, our team knows their job well having a whole list of technical specifications required by different channels for their broadcast master quality.

The transfer station is well equipped with all kinds of VTR's including:

- HD D5
- Digi Beta (NTSC and PAL)
- NTSC to Pal and vice - versa
- Hi-band
- Beta
- VHS
- DV
- DVD
- VCD

Our Client Segments:

Commercials

We work on some of the most exciting commercials in India today. We have a dynamic team of editors and colorists who have worked on some of the most challenging films for some of India's most renowned directors. This creative team forms the backbone of the commercials division.

Our people work in close tandem with ad film makers to properly translate ideas and visions into expression. Our turnkey post production services including telecine, offline editing, sound studio, visual effects and online editing continue to attract more challenging assignments. One can walk in with their negative and walk out with a final master all under the same roof.

We have a portfolio of almost all major ad-film producers carrying out the post production at our studios. Having truly world class film's being delivered out from Prime focus, we are confident to deliver quality that we know, you would be best satisfied with. Our setup is geared for both SD and HD, and we deliver in all formats including film.

Features

We provide end to end services for feature film producers right from one light keycode telecine to release prints. With over 50 member strong team, We specialise in quality visual effects and has been building the Indian market for the past few years by producing some stunning visual effects and adding newer and better tools to ensure visual effects becomes a standard feature in Indian cinema.

Our service profile includes:

- Digital Intermediate
- Visual Effects
- All Digital Optical's: dissolves, ramps, color changes, flashes, fades, etc
- Theatrical trailers
- Film Promotion clips
- Title design – including creative conceptualization
- End credits
- Film Scanning & Film Recoridng
- One light keycode telecine
- Film Editing

Television

Originally started off as a single non linear edit bay catering to the growing TV show market in India in 1995. Our experience in the segment is vast. We continue to provide television show makers quality services that come with more options today.

The company has setup dedicated post production facilities for various television stations in India, during their start up, including MTV, Channel V, and more recently Zoom. Our services include on air packaging, equipment rental and show edit and mastering. We continue to provide television stations, with creative services for on air promos, packaging and broadcast design.

Prime Focus Limited

Some of our key clients in each Segment:

Commercials

i. Leading Advertising Agencies

HTA, O&M, Chaitra Leo Burnett, Ambience D'Arcy, Re diffusion, FCB Ulka, Trikaya Grey, Contract Advertising, Madison, Triton Communication

ii. Ad FilmMakers

Prasoon Pandey, , Johnny Pinto, Pradeep Sarkar, Shamin Desai, Vikas Sivaraman, Kiran Deohans, Pankuj Parashar, Jeet Surendernath, Mahesh Mathai,etc.

Features

i. Feature Film Makers

Sanjay Leela Bhansali, Ram Gopal Varma, Nitin Manmohan, Boney Kapoor, Rajiv Rai, Sajid Nadiadwala, Feroz Nadiadwala, Vashu Bhagnani, Sunny Deol, Shahrukh Khan, Sohail Khan, Harry Baweja, Pritish Nandi Communciations, Raj Kumar Santoshi , Rohan, Sanjay Gupta etc

Television

i Production Houses

UTV, TV 18, Balaji Telefilms, In house Production, Cinevista Commn., Eagle Video, etc.

iii. Music-Video Makers

Anubhav Sinha, Sanjay Gupta, Ken Ghosh, Rahul Sood, etc.

iv. Satellite Channels

Star, Zee, Zoom, MTV, B4U, etc.

v. Music Companies

T-Series, TIPS, Venus, PolyGram, MagnaSound, HMV, Sony, Music, Times Music, Rajshri Music, Virgin Music, etc.

Awards and Achievements:

The Company has received the following awards in the Special Effects Category:

1. IFFA award 2003 - Film "Kaante".
2. Zee Cine Award 2005 - Film "Musafir".
3. We have recently been awarded with the Best Visual Effects Award in the Screen Awards 2005 for the film "Vaah-Life Ho to Aisi"

Pioneering efforts:

- o We set up the first digital intermediate pipeline for frame by frame feature film colour grading / restoration in India introducing the Autodesk Lustre Grading Systems (We have completed 40+ full length feature since inception – July 2003)
- o We were the first to introduce Spirit Telecine in India.
- o Our Company is the first to get the Motion control rig ('MILO') in India, the only rig in Asia till date.
- o We have been pioneering the digital film making revolution by outputting the first Indian film shot on DV ('Lets Talk', December 2002) and High Definition ('American Daylight')
- o Prime Focus is pioneering the High Definition film making and archiving revolution in India
 - o India's first High Definition Camera rental services

- o India's first High Definition, D5 recorder
 - o Our Company is the only Indian company which has its own time slice rig for visual effects shots
 - o We pioneered the digital editing revolution in India, by installing the Media 100 system
- (Source : Company management)

Our Competitors:

With one of the integrated asset profiles in the industry, we are of the opinion that there are no comparable competitors who provide the entire service spectrum that we offer. The integrated and bundled service offering enables better margins and recoveries. Famous Studios and Prasad Labs are the primary competitors. Some of the other competitors are United Studios, Famous Studios, Pixon, Raj Taru, Avitel & Tata Media Works. We are one of the leading players in the films and advertising segments. Our Company has followed the international business model and has encouraged freelancers to work out of its premises giving it access to more jobs.

Source : Company management

Manpower:

Our company has employed and retained a dynamic, creative and talented team of professionals with first hand industry experience. We follow the international business model and encourage freelancers to work out of its premises giving it access to more jobs. We have in all 202 personnel, who can be classified as creative and non-creative. The creative personnel are specialist in their respective fields of special effects, offline/ online telecine, graphics, etc. They form the backbone of our Company. This team includes two experienced colorists from major international post production studios. Continuous on-the-job training provided by them further nurtures talent amongst the employees.

The non-creative staff can further be classified as administrative and marketing, which includes accounts, marketing, collection, etc. The team of personnel provides our Company a cutting edge vis-a-vis competition enabling it to charge premium for similar service profile.

An analysis of the manpower is tabularised below:

Sr. No.	Category	No. of personnel
1.	Creative	
	i. Graphics	40
	ii. Telecine	15
	iii. Editors	59
2	Non Creative	
	i. Technical	34
	ii. Administrative & Marketing	39
	iii. Others	34
	TOTAL	223

Source : Company

Prime Focus Limited**Infrastructure and Utilities**

Sr. No.	Division	Location	Area (Sq. Ft)	Ownership	Utility
1	Commercials, Feature Film, Visual Effects, Finance, Accounts and Administration	Santacruz Mumbai	Approx. 6200	- Flat Nos. 1, 3 and 8 garage nos. 2 and 5, comprising area of approx. 2800 sq. ft., are owned by our Company. - Flat No. 2 and garage no. 3, together comprising area of approx. 1130 sq. ft., have been taken on lease basis from Mr.Naresh Malhotra, promoter of our Company. - Flat no. 4 and garage no. 4, together comprising area of approx. 1400 sq. ft., have been taken on lease from Mrs. Neeta Malhotra, Promoter of our Company. - Flat no .6, comprising area of app 876 sq. ft., has been taken on lease from Mr. Namit Malhotra, Promoter of our Company.	- Power from Reliance Energy at Commercial Rates 1 UPS of 40 KVA 20 telephone lines - Fibre Cable for Internet - AC- 80 tonnage - Fire protection systems - Water Supply systems
2	Digital Intermediate Division and Feature Film Post Production.	Goregaon Mumbai	2500	Adlabs	- Power from Reliance Energy at Commercial Rates 2 nos UPS of 40 KVA each 6 telephone lines - Fibre Cable for Internet - other utilities provided by Adlabs
3	Equipment Rental Division and High Definition	Santacruz Mumbai	800	Company owned	- Power from Reliance Energy at Commercial Rates 4 telephone lines - Fire Protection Systems
4.	Commercials	Raghuvanshi Mills Lower Parel	10000	Company owned	- Power from Tata Power at Industrial Rates 1 UPS of 40 KVA 30 telephone lines

					4. Fibre Cable for Internet 5. AC- 160 tonnage 6. Fire protection systems 7. Water Supply systems
5.	Visual Effects & CGI	Royal Palms Goregaon	10000	Company owned	1. Power from Tata Power at Industrial Rates 2. 1 UPS of 40 KVA 3. 30 telephone lines 4. ISDN Internet Lines 5. AC- 80 tonnage 6. Fire protection systems 7. Water Supply systems
6.	Digital Intermediate Division, Feature Film Post Production , Visual Effects & CGI and Commercials	Vijaya Labs Chennai	3000	Adlabs	1. all utilities provided by Adlabs
7.	Television Serials	Santacruz Mumbai	800	Rented	1. Power from Reliance Energy at Commercial Rates 2. 4 telephone lines 3. Fire Protection Systems

Insurance

We have adequate & comprehensive policies for all its Camera Equipments, Editing Machines, Fixed Assets and Furniture & Fixtures.

The policies for Camera Equipment cover “All Risks” which indemnify the Company, in case of loss, to the extent of intrinsic value of the property lost, damaged, or destroyed by Fire, Riot & Strike, Terrorist Activity, Theft or Accident since the camera equipments are sent on hire basis on locations.

We have “Standard Fire & Special Perils Policy” for all our existing Editing Machines, Fixed Assets and Furniture & Fixtures at all the present locations. In addition to the above we also take ‘In-transit’ policies for all the machines that are imported.

Legal and Regulatory Proceedings

We are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, would have a material adverse effect on our financial condition or results of operations.

Restrictive Covenants under our Loan Agreements

We have entered into agreements with Shamrao Vithal Co-operative Bank Limited for Term Loan and Cash Credit. These agreements contain certain restrictive covenants, some of which require the prior permission of the Banks, *inter alia* pertain to the declaration of dividends, alteration of the capital structure, undertaking of any new project or making investments or taking assets on lease, creation of any encumbrance on the assets given as security, change in the key personnel and any change in the constitutional documents of Our Company.

Key industrial regulations:

There are no key industrial regulations.

Prime Focus Limited

Our History and Other Corporate Matters:

Incorporation and Name

We were incorporated as a Private Limited Company on June 24, 1997. Thereafter, the word 'Private' was deleted from our name under the provisions of Section 43A(2). Pursuant to this, our Company was converted into a public limited Company, vide a fresh Certificate of Incorporation dated April 24, 2000, issued by the ROC. The Company traces its roots to the proprietary concerns of its Directors - 'Video Works' of Mr. Naresh Malhotra and 'Video Workshop' of Mr. Namit Malhotra which were merged to form Prime Focus Private Limited.

The promoters had predicted the importance of achieving critical mass in the growing Entertainment Industry and identified the need to provide the entire spectrum of services involved in feature films and ad films industry. Our Promoters have three decades of experience in the film industry, which is complimented by a team of creative personnel and competence in the latest relevant technology in post-production

Main Objects of the Company

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

- To purchase, hire or otherwise acquire any photographic, video, and sound recording and other apparatus & computer software and computer solutions for use of in connection with cinematography shows and exhibitions, radio, television, film and video entertainments. Add- films and to provide technical services in the field of special visual and audio effects, color mixing and enhancement, dubbing, graphics.
- To carry on the business of producing, buying, selling, trading, distributing, exhibiting, importing and exporting programmes for audio and video television and radio, commercial, art, and all type of feature films, advertisement films, music albums, private albums and of establish links, via satellites, downlink and up link thru television related outfits reception systems, and to start the cable TV channels.
- To carry on the business of developing, packing, distributing, leasing, hiring or letting on hire, indenting, selling, maintaining, importing, exporting, consulting and dealing in computer software, hardware, office equipment and information systems, and to engage in data, information processing, web-site designing, email management, internet services, e-business, e-commerce, enterprise resource planning, body- shopping, IT enabled services and training in computer hardware, software and information management activities.

The present business of our Company is as per the main objects as contained in the Memorandum of Association.

Shareholders' Agreements:

Our Company, Namit Malhotra (NM) and Rakesh Jhunjhunwala & Rekha Jhunjhunwala (RJ) have entered into a Shareholders' Agreement dated May 18, 2004.

Key provisions of Shareholders' Agreement are as follows:

a. Constitution of the Board:

- ❖ As long as RJ continues to hold equity shares of PFL, he shall have right to nominate one Director as a non-wholetime Director (i.e. RJ Director) alongwith a right to remove or replace such nominee Director.

b. Board Meetings:

- ❖ Seven days' written notice with agenda and relevant papers/ documents for every Board Meeting shall be given to each of the Directors.
- ❖ A matter shall not be taken up at any Board Meeting unless expressly specified in the agenda or unless all the Directors present at a meeting agree otherwise.
- ❖ Quorum for every Board Meeting shall be three Directors (one of them must be RJ Director) present at the commencement of and throughout the meeting. If no quorum present, meeting to be adjourned to the same day next week.
- ❖ As a measure of investor protection, any action, decision, or resolution regarding the specified matters shall be taken or passed by the Board, at Shareholders' meeting, by circular resolution and/ or otherwise only after RJ's consent has been intimated. If no consent received before the commencement of Board/ Shareholders' Meeting, then no such matter should be taken up for discussion or voted upon at such meeting The specified matters are:

- i. Appointment or removal of the Chairman and the Managing Director, Managing Director, Manager (as defined by the Act), executive director or presidents of the Company;
- ii. Any material amendment to the Company's Constitutional documents;
- iii. Any material change in the Company's Business;
- iv. Alteration of accounting reference period, material accounting policies or practices;
- iv. Any change (including, without limitation, any conversion, consolidation or sub-division) in the authorised or issued share capital of the Company;
- v. Buy back or redemption of any Shares of the Company;
- vi. Change of rights of any class or classes of Shares (directly or indirectly);
- vii. Granting or creation of any options or other rights to subscribe for Shares or to convert any instrument into Shares (except for the employee stock option scheme to be approved by the Board);
- viii. Listing/de-listing of the Equity Shares on or from any stock exchanges;
- ix. Approving or entering into any merger or amalgamation or Reorganisation;
- x. Sale, transfer, lease, license or disposal of all or a substantial part of its business, undertaking or assets whether by a single transaction or series of transactions, related or not (provided that this Clause shall not apply where the value of and consideration for the business, undertaking and/or assets being sold, transferred, leased, licensed or disposed of aggregates to less than US\$ 500,000/- in any period of 12 months);
- xi. Giving or issuing any loans, guarantees, letters of credit, indemnities or letters of comfort or security in respect of the obligations of any person other than the Company itself (other than in the ordinary course of business);
- xii. Commencement of any action to wind up or dissolution of the Company including passing of a resolution that the Company be liquidated;
- xiii. Change of statutory Auditors;

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- xiv. Making of any allotment or issue of any security convertible into or carrying a right to subscribe or any other right to subscribe or acquire share capital of the Company (other than pursuant to this Agreement);
- xv. Approval, material modification and/or deviation of the Annual Operating Budget / Annual business plan.
- xvi. Acquisition of Shares, debentures, warranties or bonds in any other company or entity, units of mutual funds or any other financial instrument;
- xvii. Shareholders Agreement with any other entity, or any agreement by whatever name called which confers any special right upon any shareholder;
- xviii. Capital Expenditure exceeding Rs. 5 crores per annum.

c. Transfer of Shares:

- ❖ RJ not to sell any of the shares to any competitor, Indian or abroad.
- ❖ If NM fails to communicate within 2 business days, it shall be deemed to be a refusal. If offer accepted by NM, transaction to be completed by NM & RJ within 7 business days

d. Tag along Rights of RJ:

- ❖ If NM proposes to sell or otherwise transfer any/all shares of the Company held by him, NM is under obligation to ensure the proposed purchaser offers to purchase all shares of the company held by RJ on the terms and conditions not less favourable than the terms offered by purchaser to NM.
- ❖ If NM proposes to transfer his shares, NM to give notice in writing to RJ specifying the number of shares proposed to be transferred and terms and conditions of transfer. Within 21 days of receipt of notice RJ to communicate refusal or otherwise to transfer its shares on terms and conditions NM has intimated. Failure to communicate shall be deemed refusal. Upon refusal, NM to consummate sale to Third Party within 60 days thereafter on terms and conditions contained in the notice given by NM.

e. Termination and Survival of Rights and Obligations:

- ❖ Agreement to terminate upon RJ selling-off his entire shareholding in the Company.
- ❖ Termination of the Agreement for any cause shall not release a Party from any liability already accrued to another party at the time of termination or which will accrue with respect to any act or omission prior to such termination.

f. Assignment:

- ❖ Agreement is binding on the parties and their respective successors and permitted assigns.
- ❖ No party is entitled to assign the Agreement or any rights/ obligations thereunder except with prior written consent of the other parties.

g. Arbitration:

In case of dispute, difference or claim or deadlock arising due to lack of decision on Specified Matters, the same to be referred to Mr. Gautam Doshi for arbitration to be conducted in manner prescribed under Arbitration & Conciliation Act, 1996.

Strategic Partners:

Adlabs is our Strategic Partner. We have entered into with Adlabs the following Agreements:

1. Share Subscription Agreement

Adlabs entered in to a share subscription agreement dated March 18, 2004 with our company and thereby acquired by way of subscription 6,84,000 Equity Shares of Rs. 5 each at a price of Rs.48.40 per share for a total consideration of Rs. 3,31,05,600 (Rupees Three crores Thirty One Lakhs Five Thousand and Six Hundred only). Subsequently, the equity shares of face value of Rs.5 each were converted in to equity shares of face value of Rs.10 each by a Special Resolution passed at the Extra Ordinary General Meeting held on September 10, 2004. Also, Adlabs purchased 140,000 shares from Namit Malhotra. These shares and also as a result of the consolidation of equity shares with a face value of Rs.5 per share to Rs.10 per share, at present, by way of this subscription agreement, Adlabs hold 4,82,000 equity shares of Rs.10 each in our Company.

Salient features of the Share subscription agreement

1. Obligations and Duties of the parties

A. Obligations and duties of our Company:

- i. Our Company shall acquire and install the new equipment in the premise identified and allotted by Adlabs in this behalf;
- ii. Our Company shall provide a "most-preferred" client status to Adlabs and Adlabs' clients for rendering professional services;

B. Obligations and Duties of Adlabs:

- i. Adlabs shall promote the Venture on a best-effort basis;
- ii. Adlabs shall make the space mentioned above, available to the Company;
- iii. Adlabs may, subject to the demonstration and maintenance of levels of competence by the Company as required by Adlabs, arrange for providing the post-production work of Mukta Adlabs Digital Exhibitor Limited, to the Company;
- iv. Adlabs may, on a preferred basis but subject to the demonstration and maintenance of levels of competence by the Company as required by Adlabs, arrange for providing the post-production work films produced or financed by Entertainment One India Ltd., to the Company;
- v. Adlabs may, on the best-effort basis facilitate to contract the management of the post-production facility of 'Adeaus' set-up by Mukta Arts Ltd at Adlabs premises at Film-city, Goregaon (E), Mumbai, to the Company.

2. Name / Brand License Agreement

Adlabs has granted to our Company, contemporaneous/co-terminus with the term of the Business Alliance Agreement a non-transferable, non-exclusive right and license to the use the Name/Brand in relation to the agreement. This Agreement shall terminate at the option of Adlabs, after termination

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of the Business Alliance Agreement or if our Company fails to pay to Adlabs the Royalty for more than 30 Working Days after the day when the Royalty becomes first due and payable by our Company to Adlabs. The license granted by this Agreement shall commence on the execution and will continue throughout the term of the Business Alliance Agreement.

In consideration of the grant of the non-exclusive license in relation to the Brand/Name as mentioned above, our Company shall pay to Adlabs a royalty for usage of the Brand/Name at the rate of Rs.12,80,000/- (Rupees Twelve Lakhs Eighty Thousand only) per annum.

The Royalty shall be payable for 5 (Five) years from the date of execution and shall be paid quarterly within the first two weeks of every quarter for the preceding quarter.

2. Share Purchase Agreement

Adlabs entered in to a share purchase agreement dated March 18, 2004 with Mr. Namit Malhotra, one of our Promoter and Managing Director and our Company and thereby purchased 2,80,000 of Rs. 5 each at a price of Rs.48.40 per share for a total consideration of Rs. 1,35,52,000 (Rupees One crore Thirty Five Lakhs Fifty Two Thousand only). Subsequently, the equity shares of face value of Rs.5 each were converted in to equity shares of face value of Rs.10 each by a Special Resolution passed at the Extra Ordinary General Meeting held on September 10, 2004. As a result of the consolidation of equity shares with a face value of Rs.5 per share to Rs.10 per share, at present, by way of this Share purchase agreement, Adlabs hold 1,40,000 equity shares of Rs.10 each in our Company.

Brief financials of Adlabs is given under:

Rs. In lakhs

Year ended March 31	2005	2004	2003
Total Income	8755.52	7,890.55	7,805.36
EBIDTA	3,932.35	3,363.71	3,216.00
Profit After Tax	2066.93	1,764.23	1,665.30
Equity Capital*	1,075.04	1,075.04	1,075.04
Reserves	20.67	1,100.00	1,200.00
EPS (Rs.)	9.61	8.21	7.75
Book Value (Rs.)	54.56	48.76	43.38

* Equity Shares of face value of Rs.5 per share.

3. Business Alliance Agreement dated March 18, 2004 and amendment thereto dated May 1, 2004 form the basis of the agreement between our Company and Adlabs:

- Acquisition of the new equipment and setting up of the new facility by our Company;
- Provision (during the term of this agreement) of about 2000 square feet space by Adlabs to our Company at Film City, Goregaon (east), Mumbai, for installation of the new equipment and set-up the new facility;
- Development by the Company and Adlabs of business leads and contacts for optimal utilisation of the new facility and otherwise for commercial success of the venture;
- Operation and maintenance of the new facility and the new equipment by the Company.

Adlabs and the Company shall jointly undertake and conduct the Venture in good faith and with the objective of maximising revenues for the Company.

Financial Partners:

The Company has no Financial Partners.

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Our Management

Our Managing Director, Mr. Namit Malhotra, conducts day-to-day operations under the overall supervision, direction and control of our Board of Directors. As per our Articles of Association, we cannot have less than three nor more than twelve Directors. We currently have eight Directors.

The following table sets forth details regarding our Board of Directors as of the date of filing the Draft Red Herring Prospectus with SEBI:

Board of Directors

S. No	Name, Designation, Address, Occupation	Age (Yrs.)	Qualification	Date of Appointment	Other Directorships
1	Mr. Naresh Malhotra Chairman 201, Priyanka Apartments, N.S. Road no. 6, JVPD Scheme, Juhu, Mumbai - 49 <i>Occupation : Business</i>	61	B.Com	April 1, 2002	None
2	Mr. Namit Malhotra Managing Director 201, Priyanka Apartments, N.S. Road no. 6, JVPD Scheme, Juhu, Mumbai - 49 <i>Occupation::Business</i>	29	B.Com	April 1, 2002	Prime Focus UK Ltd.
3	Mr. Varadarajan Ananthanarayan Director A - 6/3, Shree Ram Nagar, S. V. Road, Andheri (West), Mumbai 400053 <i>Occupation:: Chartered Accountant</i>	48	C.A	February 19, 2004	Megalux Electronics Contrls Pvt. Ltd. Bhageeratha Electricals and Structurals Limited
4	Mr. Kodi Raghavan Srinivasan Director A - 2/1, Rajat Rekha, 142/6, J. P. Road Andheri (West) Mumbai 400053 <i>Occupation: Chartered Accountant</i>	38	C.A.	February 19, 2004	Scope Intranet Solutions Pvt. Ltd. Revivemed Technologies Pvt. Ltd Chitre & Hospitality Services Pvt. Ltd.
5	Mr. Rakesh Radheyshyam Jhunjhunwalla	46	B.Com. (Hons.),	August 22, 2004	Aptech Limited Enlightened Buildcon

	Director 3, Sheetal Sagar Sheetal Baug 64, Walkeshwar Road Mumbai 400006 <i>Occupation:: Business</i>		C.A.		Pvt. Ltd. J & J Buildcon Pvt. Ltd. Virtual Marketing (India) Pvt. Ltd By Design India Pvt. Ltd Bilcare Ltd Praj Industries Ltd Nagarjuna Construction Co. Ltd Innovasynt Technologies (I) Ltd Provogue (India) Ltd. Concord Biotech Ltd. Mid-Day Multimedia Limited Geojit Financial Services Limited
6	Ms. Pooja Shetty Director 21, Golden Beach, Ruia Park, Juhu, Mumbai – 400049 <i>Occupation:: Business:</i>	27	BBA	January 1, 2005	Adlabs Films Limited Swanston Multiplex Cinemas P Ltd. Runwal Multipex Pvt. Ltd. Divyashakti Marketing Pvt. Ltd. Entertainment One (India) Ltd. Gemini Exhibitors Ltd. RAP Media Ltd.
7	Mr. Somasekhar Sundaresan Director 54-B Twin Towers, Twin Towers lane, Prabhadevi, Mumbai – 400025 <i>Occupation: Lawyer:</i>	33	B.Com., LL.B.	April 12, 2005	Agribuys.com (India) Pvt. Ltd. 3i India Investment Private Limited DDAV (Maker 6) Properties Private Limited Lotus India Asset Management Company Private Limited Lotus India Trustee Company Private Limited SNC-Lavalin Engineering Pvt. Ltd.
8	Mr. Rivkaran Chadha Director 5, Kaushal Apartments, 12th Road, JVPD Scheme, Juhu, Mumbai <i>Occupation: Business:</i>	29	B.Com., MBA	May 27, 2005	Mangalsingh Brothers Pvt. Ltd. Hem Apparels Pvt. Ltd.

Brief Profile of our Directors (Promoters)

Mr. Naresh Malhotra, and Mr. Namit Malhotra, being the Promoter Directors of the Company, their profiles are mentioned under the head 'Promoters'. Please refer to page no. [•] of this Draft Red Herring Prospectus for further details.

Brief Profile of our other Directors

1. **Mr. Varadarajan Ananthanarayan**, 48 years, Professional Director, is a senior Chartered Accountant with over 20 years experience in industry, business and audit practice. He also has a considerable experience in Management Consultancy services to reputed companies, handling foreign collaborations, tie-ups, project consultancy, project finance, management audits etc. He is associated with our Company in a Senior Strategic Business advisory position.
2. **Mr. Kodi Raghavan Srinivasan**, 38 years, Professional Director, is a Chartered Accountant and a Cost Accountant, and has extensive experience in the fields of Internal, Statutory and management audits, corporate laws, taxation laws, financial consultancy, and Costing and Management Information services. He is associated with our Company in a financial advisory position.
3. **Rakesh Jhunjhunwala**, 46 years, Professional Director is a Chartered Accountant. He has been profiled as one of India's best five investors by Business India magazine in 1998. He is a partner in Rare Enterprises.
4. **Ms. Pooja Shetty**, 27 years, Director, Ms. Shetty holds a Bachelor's Degree in Business Management from Purdue University, USA and has attended two IMAX Certified Theatre Management Programs. She has considerable experience and knowledge of the exhibition business. She currently oversees the operations of the IMAX and the multiplex theatres of Adlabs Films Ltd in which she is a Whole-time Director.
5. **Mr. Somasekhar Sundaresan**, 33 years, Professional Director, is a Partner in J. Sagar Associates, Advocates and Solicitors. He has an extensive experience and expertise in Securities Laws, Seaport Infrastructure, Banking and Non-banking Financial Services, Mergers and Acquisitions and Information Technology. As a legal strategist, he has been involved in some of the celebrated cases relating to regulatory action in the Indian securities market. He acts as a counsel before the SEBI & Securities Appellate Tribunal in several securities law matters. Prior to entering the legal profession, Somasekhar has worked as a senior business journalist and assistant editor – Business Editorial, Mumbai edition -Times of India.
6. **Mr. Rivkaran Chadha**, 29 years, is an MBA in finance from Cardiff University, England and Wales. A successful & recognised businessman in his field, he provides valuable inputs in framing and implementation of financial strategies.

Remuneration of Directors:

Terms of Appointment & Compensation of Managing Directors/ Whole time Directors:

At an Extra-ordinary General Meeting of the Shareholders held on April 30, 2005, appointments of Naresh Malhotra and Namit Malhotra as Chairman & Whole-time Director of the Company and Managing Director of the Company respectively were approved on the following terms and conditions:

The said resolution has approved a Salary of upto Rs. 2,50,000/- per month each to Mr. Naresh Malhotra and Mr. Namit Malhotra.

Our Company has issued an appointment letter to Mr. Naresh Malhotra and Mr. Namit Malhotra each dated April 1, 2005. The terms and conditions of the appointment letter are as follows:

- 1. Salary:** Rs. 1,25,000/- per month.
- 2. Perquisites: ---**
 Perquisites
 Other Perquisites
 Commission
- 3. Sitting Fees: ---**
- 4. Others: -----**
- 5. Tenure:** Five years commencing from April 1, 2005.
- 6. Termination:** The appointment is terminable by 90 days notice in writing on either side or salary in lieu thereof.
- 6. Arbitration: ---**

Corporate Governance

Our Company stands committed to good Corporate Governance - transparency, disclosure and independent supervision to increase the value of our stakeholders. The Guidelines issued by SEBI in respect of the Corporate Governance will be applicable to the Company immediately upon applying for the in-principle approval for listing of the Equity Shares on the stock exchange. Accordingly, the Company has undertaken steps to comply with the SEBI guidelines on Corporate Governance. The Corporate Governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and the constitution of the Board Committees, majority of them comprising of independent directors. Committees of the Board have been constituted in order to look into the matters in respect of compensation, shareholding, audit, etc, details of which are as follows:

Committees of the Board

Audit Committee

The terms of the Audit Committee comply with the requirements of Section 292A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The committee consists of only non-executive Directors, with the majority being independent Directors. The committee

Prime Focus Limited

currently comprises of three members namely Mr. A. Varadarajan, Mr. K. R. Srinivasan and Mr. Rivkaran Chadha. Mr. A. Varadarajan is the Chairman of our Audit Committee.

The principal functions of the committee are to

- review our Company's financial statements, before submission to, and approval by the Board;
- review our Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters;
- review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- monitor the integrity of our Company's internal financial controls;
- assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks;
- review the internal audit program and ensure that the internal audit function is adequately resourced
- and has appropriate standing within our Company;
- receive a report on the results of the internal auditor's work on a periodic basis;
- review and monitor management's responsiveness to the internal auditor's findings and recommendations; and
- monitor and assess the role and effectiveness of the internal audit function in the overall context of our Company's risk management system.

Remuneration Committee

The Remuneration Committee consists of non-executive Directors, with the Chairman of the Remuneration Committee being an independent Director. The Committee currently comprises of three members namely Mr. K. R. Srinivasan, Mr. Namit Malhotra and Mr. Rivkaran Chadha. Mr. Rivkaran Chadha is the Chairman of our Remuneration Committee. The Committee determines the grant of stock option and also reviews the overall compensation structure including managerial remuneration and related policies aimed at attracting, motivating and retaining personnel. The Committee has the authority to determine the compensation packages of executive Directors and senior management and determine the parameters and supervise the operation of the bonus schemes of our Company. The Committee will review recommendations made to it by our Company and others and is authorized to investigate any activity within its terms of reference, seek any information from any employee of our Company and obtain independent professional advice.

Investor Grievances and Share Transfer Committee

The Investor Grievances and Share Transfer Committee comprises of Mr. K. R. Srinivasan, Mr. A. Varadarajan and Mr. Rivkaran Chadha. Mr Rivkaran Chadha is the Chairman of this committee. The Investor Grievances and Share Transfer Committee looks into redressal of shareholder and investor complaints, issue of duplicate/ consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/ transmission of shares and debentures and reference to statutory and regulatory authorities. The scope and functions of the Investor Grievances and Share Transfer Committee are as per Clause 49 of the Listing Agreement

Shareholding of the Directors

Our Articles of Association do not require our Directors to hold any Equity Shares as qualification shares in our Company. The following table details the shareholding of our Directors, as at the date of filing of this Draft Red Herring Prospectus with SEBI:

Sr. No.	Names of shareholders	No. Of shares of Rs.10 each
1	Naresh Malhotra	5,525,000
2	Namit Malhotra	1,240,000
3	Rakesh Jhunjhunwalla	2,50,000
	Total	70,15,000

Interests of Directors

Except as stated in “Related Party Transactions” on page [•] of the 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.

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. Our Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our 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.

All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Undertaking

Except to the extent mentioned above, our Directors and key management personnel do not have any interest in our Company. Except as otherwise stated in this Draft Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of filing of this Draft Red Herring Prospectus with SEBI, 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 by them.

Borrowing Powers of our Board

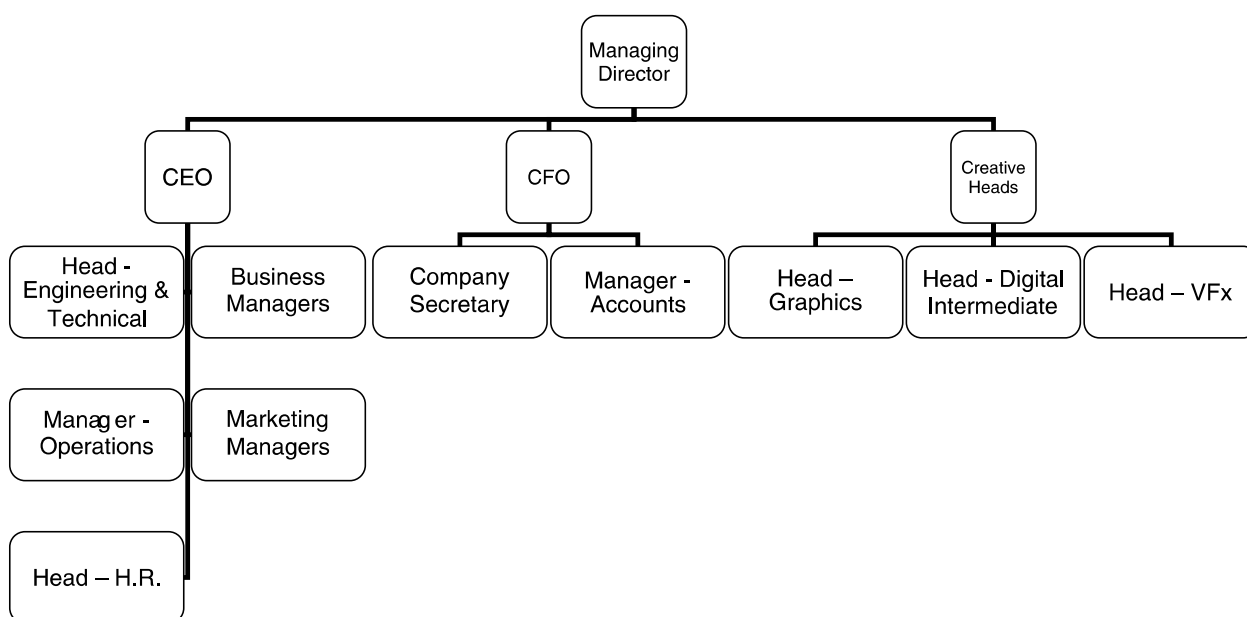
Vide Board Resolution dated December 26, 2005, our Board is authorized to take borrowings upto an aggregate amount not exceeding Rs. 1,000 Lakhs.

Changes in our Board of Directors in the last 3 years

The following are the changes to our Board of Directors in the last 3 years and no changes thereafter have taken place:

Sr. No.	Name	Date of Appointment	Date of Cessation	Reason
1	Mr. Ajay Tuli	01.04.2002	25.11.2003	Resignation
2	Mr. Varadarajan Ananthanarayanan	19.02.2004	-	Appointment
3	Mr. Kodi Raghavan Srinivasan	19.02.2004	-	Appointment
4	Mrs. Neeta Malhotra	30.06.1997	31.03.2004	Resignation
5	Mrs. Ami Malhotra	01.04.2002	31.03.2004	Resignation
6	Mr. Rivkaran Chadha	11.11.1999	31.03.2004	Resignation
7	Mr. Rakesh Jhunjhunwala	22.08.2004	-	Appointment
8	Ms. Pooja Shetty	06.01.2005	-	Appointment
9	Mr. Somasekhar Sundaresan	12.04.2005	-	Appointment
10.	Mr. Rivkaran Chadha	27.05.2005	-	Appointment

Management Organisation Chart



Prime Focus Limited

Key Managerial Personnel of our Company

The key managerial personnel and their designations are as under:

Sr. No	Name	Designation	Date of Joining	Qualification	Exp. (Yrs.)
1	Mr. Bhaarath Sunder	Chief Executive Officer	January, 2005	B.Com	20
2	Mr. Nishant Fadia	Chief Finance Officer	July, 2000	B.Com, A.C.A., C.P.A.	7
3	Mr. Merzin Tavaría	Creative Head	Since incorporation	B.Com	10
4	Mr. Huzefa Lokhandwala	Creative Head	Since incorporation	B.Com	10
5	Mr. Prakash Kurup	Creative Head	Since incorporation	B.Com	10
6	Mr. Parminder Chaddha	Head - Digital Film Lab	April 2001	B.Sc	15
7	Mr. Rohan Desai	DI Supervisor	September 2000	B.E.	5
8	Mr. Anshul Doshi	VP - Strategy & Business Development	February 2004	B.Com, A.C.A, B.G.L	4
9	Mr. Rakesh Parikh	Head of Engineering	November 2001	B.E., Tech	15
10	Mr. Rajnish Sah	Manager-Operations	Since incorporation	B.Com	16

Bhaarath Sunder, 40 years, is the Chief Executive Officer and has joined our Company w.e.f. from January 01, 2005. Prior to joining our team he has worked with Famous Studios Limited as C.E.O. He brings around 20 years of rich experience in the entertainment industry, starting his career with UTV in the finance department and rising to become Executive Producer in a period of 5 years. He successfully handled the setting up of United Studios Limited (USL) a division of UTV where he was designated as General Manager. As the C.E.O. of the Company he is responsible for converting opportunities into business and providing leadership and direction to the organization and it's team of professionals.

Nishant Fadia, 29 years, is Chief Finance Officer of our Company. Nishant has been with our Company for over five and a half years. Before joining our team he was in the Audit arm of Deloitte & Touche's India Operations. In addition to being a Chartered Accountant, he has also completed his CPA degree from the United States. He is involved in structuring the finances, cost control and maintenance of cash flows on a day-to-day basis. Additionally, he acts as a liaison between various Banks, Financial Institutions, and equipment suppliers. As CFO, Nishant has also been involved in business strategy, identifying new expansion opportunities, besides fund-raising for the expansion projects of the Company.

Merzin Tavaría, 32 years, Creative Head, has over 10 years of experience and has been with our Company since inception. Currently he is spearheading the visual effects and animation division of the company. Merzin has vast experience in visual effects and had worked on one of the first coke advertisements featuring dual Aamir Khan's. The company has been acclaimed with best visual effects awards for his work in the feature films 'Kaante' and 'Musafir'. Recently his work on the film Vaah! Life ho to aisi, has been acclaimed as the best visual effects work ever seen in Indian cinema. Recent projects he has been involved in include The Rising: Ballad of Mangal Pandey, Bluffmaster, Vaah! life ho to aisi, No Entry,

Zinda, etc. These projects included creative end to end solutions comprising of editing, special effects and telecine related work.

Huzefa Lokhandwala, 32 years Creative Head, has 10 years of experience and has been with our Company since inception. He is well recognized in the advertisement community and the film industry. His title sequences for Road and Darna Marna Hai, introduced the concept of title design to Indian cinema audiences which erstwhile only used simple text over film. He recently completed work on the editing and title design for India's first commercially successful animated film 'Hanuman'. Some projects which he has worked on, and have got awards include the Levis skyes reversible commercial, keasriya balam music video for Sandeep Chowta, and rainwater harvesting which film was one of the last four finalists at the green Oscars. Recent projects he has been involved in include Hanuman, Darna Zaroori Hai, Deewar, Tata Safari, Times of India, Amul Macho, Surf Excel, Tata Sumo, etc.

Prakash Kurup, 32 years, Creative Head, has 10 years of experience and has been with our Company since inception. He has been involved in projects such as promotion, packaging and design for channels including MTV, B4U and more recently Peace TV. He is one of the most sought after editors in Mumbai today but the advertising fraternity and has been involved with several prestigious ad film projects including Fevicol, Pepsi Bubly, Lays, Bajaj - Jackie Chan Commercial, Onida, Toyota Innova, Videocon, Kwaliti Walls, Tata Indicom, Titan, HP etc. He also specializes in cartoons and 2D animation.

Parminder Chaddha, 37 years, Head - Digital Film Lab, has 10 years of experience, Parminder was with Equinox Film Production prior to joining Prime Focus. He has handled innovative special effects projects such as Adidas featuring Sachin Tendulkar and Mission Kashmir. His specialisations are in digital film applications. He has been instrumental in the setup of the Digital Film Lab at Filmcity, Goregaon.

Rohan Desai, 29 years, Digital Intermediate Supervisor, has 5 years of experience, involved in review of technical specs for machine acquisition, supervises film effects work and also keeps a track of general technological changes in the industry.

Anshul Doshi, 25 years, Vice President - Strategy & Business Development, is a qualified Chartered Accountant and also holds a degree in law. Prior to joining our Company, he worked in the corporate finance division of KPMG where he has handled several key media projects. His duties at Prime Focus encompass cultivation of overseas business contacts, devising business strategy, interacting with various clients and agencies..

Rakesh Parikh, 38 years, Head - Engineering, has 15 years of experience. A qualified Electronics Engineer, he has been widely associated with the film industry over the years and has been instrumental in setting up a 14-channel Auto Transmission Television system. He has lent his expertise to a number of companies in Mumbai as well as in Hong Kong. Well known companies like Sahara, Cinerad and T-Series, among others have benefited from his services..

Rajnish Sah, 34 years, Manager Operations, has had 16 years of experience with the family business. Starting out as an Accounts Assistant, he has attained a key position in our Company today. Apart from the accounting aspect of the business, he has a deep understanding of the various stages, procedures and processes involved in filmmaking, whether cinematic or its video variations. This insight into each aspect of the film process puts him in a position where he can easily understand client requirements; arrange to get the jobs accomplished efficiently to the client's satisfaction. Apart from this, he is involved in the administration of and has been instrumental in setting up various operational procedures ensuring smooth day-to-day functioning of the company. His aggressive yet easy-going style of functioning makes him an ideal interface between the industry and the Company. Currently, he is heading studio operations at the Santacruz studio.

Prime Focus Limited

Shareholding of the Key Managerial Personnel

No Key Managerial Personnel has any shareholding in the Company.

Bonus or Profit Sharing Plan for the Key Managerial Personnel

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

Changes in the Key Managerial Personnel

Other than the following there has been no change in the key managerial personnel of our Company in the preceding one year:

Name	Age (Yrs.)	Date of Joining	Date of leaving	Qualification	Designation
Narendra Rahalkar	27	01.12.2004	23.11.05	M.Com, A.C.S, B.G.L	Company Secretary & Compliance Officer

Employee Stock Option Scheme

The Company does not have any Employee Stock Option Scheme.

Payment Or Benefit To Officers Of The Company (Non Salary Related)

There is no amount or benefit paid or given within the two preceding years or intended to be paid or given to any officer of the Issuer Company and consideration for payment of giving of the benefit.

Our Promoters

Mr. Naresh Malhotra, age 61 years (Passport number: A5340104 , Driving License No. : -----)



Mr. Naresh Malhotra is the Chairman of our Company. A veteran in the Indian Film and Television industry, he commenced his career as an Associate Director and Controller of Production with the well known director Mr. Ashit Sen, with whom he made several, hit films like Khamoshi, Safar, Anokhi Raat etc. Later, he ventured into producing films on his own and made four films including the hit film Shahenshah, with Amitabh Bachchan as the lead star.

Mr. Naresh setup India's first digital audio studio named 'Audio File'. Realising the importance of television industry in 80's, he produced (first video serial in association with Gareware Polysters) and advised various production houses on the television software. In 1990, on sensing the potential boom in the television industry, he ventured into the business of providing services for the production of TV programs and ad films by hiring out video equipment like cameras, recorders, monitors, etc. to various Satellite Channels, Production houses and Ad filmmakers. Over the years, he has been recognized as a pioneer and market leader.

Mrs. Neeta Malhotra, age 52 years (Passport number: A 5340559 , Driving License No.: -----)



Mrs. Neeta Malhotra, wife of Mr. Naresh Malhotra, has remained Director of our Company since inception to March 2004. She was a Proprietor of Video Star, which was in the business of hiring video cameras & related equipments. Video Star was merged with Video Workshop and which was taken over by our Company. Mrs. Malhotra is currently involved in the Administrative activities of our Company, the experience she had gained for the long association with the entertainment industry.

Mr. Namit Malhotra, Age 29 years (Passport number: Z 1586684, Driving License No. MH-02-96-26930)



Prime Focus Limited

Mr. Namit Malhotra is the Managing Director of our Company. Namit is a 'hands-on' promoter, having built Prime Focus from a moderate one room editing studio to being the largest post production and visual effects studio in India. His technology understanding has ensured that in a business, where there is such rapid change of technology, and risk of technological obsolescence, his decisions have ensured that the said risk has been successfully mitigated. He continues to head all decision making on the technology front. Over the years, he has made sure that the company has constantly evolved by ensuring that the various processes of Backward and Forward Integration have been implemented successfully, thereby engaging the client in the entire process of filmmaking. By integrating all the various technology / service profiles, under one roof, he has created India's and one of Asia's largest end to end services company for post production and visual effects.

Namit's core strength lies in working with people and understanding their requirements and providing suitable solutions. Namit's inter - personal skills have ensured that in an industry where there are no quality training institutes and trained people are continuously being pulled by each new entrant in the business, Prime Focus has maintained a negligible attrition rate.

- **Permanent Account Number and Bank Account Number of each of the promoters will be submitted to the Stock Exchanges on which securities are being proposed to be listed**

Common pursuits

There is no other company in the group, which is engaged in the same business as that of Prime Focus Limited.

FULL PARTICULARS OF THE NATURE AND EXTENT OF THE INTEREST, IF ANY, OF EVERY PROMOTER:

Save as stated in this Draft Red Herring Prospectus neither the Promoters nor the Firms or Companies in which they are members have any interest in the business of the Company, except to the extent of investments made by them and their group / investment companies in the issuer company and earning returns thereon. None of the Promoters or the firms or companies in which they are members has any interest in any property acquired by the Company within two years of the date of this Draft Red Herring Prospectus or proposed to be acquired by it.

Mr. Naresh Malhotra is an interested party to the extent of fees paid by our company as Green Shoe Lender.

PAYMENT OR BENEFIT TO PROMOTERS OF THE ISSUER COMPANY:

Other than the salary and remuneration of the Promoter Directors, referred to in the section titled "Compensation and Perks to Managing Director/ Whole-time Directors" on page [.] of this Draft Red Herring Prospectus, there are no payment or benefit to promoters of the Company.

Related Party Transactions

The details of related party transactions please refer of Annexure XII of the Financial Statements on page no. [•] of this Draft Red Herring Prospectus.

Dividend Policy

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.

The Summary of dividends declared by our Company is as follows:

Year Ended	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
Face value of Equity Share (Rs. per share)	10/-	10/-	10/-	5/-	10/-
Dividend (in Rs. lakhs)	NIL	NIL	NIL	NIL	NIL
Dividend Tax (in Rs. lakhs)	N.A	N.A	N.A	N.A	N.A
Dividend per equity Share (Rs.)	N.A	N.A	N.A	N.A	N.A
Dividend Rate (%)	N.A	N.A	N.A	N.A	N.A

The amounts paid as dividend or bonus in the past are not indicative of our dividend policy in the future

Unconsolidated Financial Statements

*Indian GAAP Unconsolidated Financial Statements Of
Prime Focus Limited
For The Five Years Ended March 31, 2005
And Half Year Ended September 30, 2005*

To,

The Board of Directors,
Prime Focus Limited
Anand Kunj, North Avenue
Linking Road
Santacruz (West)
Mumbai 400054

Re: Initial Public Issue of Prime Focus Limited

Dear Sirs:

We have examined the unconsolidated financial information of Prime Focus Limited ("the Company"), as attached to this report stamped and initialled by us for the identification and as approved by the 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended from time to time ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000, in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications. The financial information has been prepared by the Company and approved by the Board of Directors of the Company.

1. Financial Information as per the Audited Financial Statements

We have examined the attached restated unconsolidated Balance Sheet of the Company for the half year ended September 30, 2005 and five financial years ended March 31, 2005 (Annexure I) and the attached restated unconsolidated statements of Profit & Loss Account for each of these years / periods ended on those dates (Annexure II), together referred to as 'summarized statements'. The summarized statements have been extracted from the financial statement for the half year ended September 30, 2005, for the years ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002, March 31, 2001, audited by us and have been adopted by the Board of Directors and members.

Based on our examination of the above summary statements and on the basis of information and explanation given to us, we report as under:

- a) The summarized unconsolidated financial statements of the Company have been restated with retrospective effect to reflect the material changes made in the accounting policies and estimates presently being followed adopted by the Company.
- b) There are no qualifications in the Auditors' report which require adjustment to the summary statements.

2. Other financial Information

We have examined the following unconsolidated financial information proposed to be included in the Offer Document/ prospectus of your Company, as approved by you and annexed to this report:

- a. Statement of Significant Accounting Policies and notes to restated summarized financial statements is enclosed as Annexure III
- b. Statement of Significant Notes to Accounts is enclosed as Annexure IV
- c. Statement of Cash Flows of the Company for the five years ended September 30, 2005 is enclosed in Annexure V
- d. Statement of accounting ratios based on the adjusted profits relating to earning per share, net asset value and return on net worth is enclosed as Annexure VI
- e. Capitalization statement of the Company is enclosed as Annexure VII
- f. Statement of Secured Loans as on September 30, 2005 is enclosed as Annexure VIII
- g. Statement of Tax Shelters is enclosed as Annexure IX
- h. Statement of Loans and Advances and Statement of Sundry Debtors as on September 30, 2005 is enclosed as Annexure X
- i. Statement of Related Party Transactions as on September 30, 2005 is enclosed as Annexure XI

In our opinion, the financial information of the Company, as attached to this report as mentioned in paragraph 1 and 2 above, read with respective significant accounting policies after making adjustments as stated in notes to accounts have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Prospectus in connection with the Issue of the Company and is not to be used, referred to or disturbed for any other purpose without our prior written consent.

Sd/-

V. Shivkumar & Associates

Chartered Accountants

Place: Mumbai

Date: 22 December, 2005

Proprietor

Membership No.: 42673

INDEX OF FINANCIAL INFORMATION

Annexure I	: Statement of Assets and Liabilities as restated
Annexure II	: Statement of Profits and Losses as restated
Annexure III	: Summary of Significant Accounting Policies
Annexure IV	: Significant Notes to Accounts
Annexure V	: Statement of Cash Flows as restated
Annexure VI	: Statements of Accounting Ratios
Annexure VII	: Capitalisation Statement
Annexure VIII	: Statement of Secured loans
Annexure IX	: Statement of Tax Shelters
Annexure X	: Statement of Loans & Advances and Sundry Debtors
Annexure XI	: Statement of Related Party Transactions

STATEMENT OF RESTATED ASSETS AND LIABILITIES

The assets and liabilities of the Company at the end of Financial Year /period i.e September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001 audited by us after making such adjustments and subject to the notes appearing hereinafter are set out below :

Rs. In lakhs

<i>PARTICULARS</i>	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Fixed Assets						
Gross Block	5238.93	4817.08	3075.52	2820.08	2454.07	1622.50
Less: Depreciation and amortization	1419.36	1328.00	954.66	726.48	913.29	514.38
Net Block (A)	3819.57	3489.08	2120.86	2093.59	1540.78	1108.12
Add: Capital WIP	1567.27	83.00	0.00	0.00	0.00	39.40
	5386.84	3572.08	2120.86	2093.59	1540.78	1147.48
Investments : (B)	510.98	1.00	1.00	79.70	1.00	1.00
Current Assets ,Loans and Advances :						
Sundry Debtors	1620.99	1419.63	802.37	566.03	378.05	232.09
Cash and Bank Balances	3214.33	1104.29	421.09	33.50	2.05	0.92
Loans and Advances	962.51	552.32	263.50	241.07	243.33	148.95
Total (C)	5797.83	3076.24	1486.96	840.60	623.43	381.96
Liabilities and Provisions :						
Secured Loans	1454.32	1625.82	863.37	1034.62	920.65	476.44
Unsecured Loans	0.00	0.00	0.00	0.00	20.10	0.00
Deferred Tax Liability	726.61	681.87	450.19	367.77	0.00	0.00
Current Liabilities	2668.95	837.71	179.68	176.32	183.62	220.54
Provisions	564.99	402.12	158.00	139.30	112.38	83.88
Total (D)	5414.87	3547.52	1651.24	1718.01	1236.75	780.86
Miscellaneous Expenditure (to the extent not w / off)	49.60	2.10	2.63	3.15	3.68	4.20
Net Worth (A+B+C-D) :	6280.78	3101.80	1957.57	1295.89	928.46	749.60
Represented by						
Share Capital	1032.45	882.45	834.20	400.00	400.00	400.00
Reserves and Surplus	5297.93	2221.45	1126.00	899.04	532.14	353.80
Total	6330.38	3103.90	1960.20	1299.04	932.14	753.80
Net Worth (G-E)	6280.78	3101.80	1957.57	1295.89	928.46	749.60

Note: 1. The accompanying significant accounting policies and notes are integral part of this statement.

2. Previous year figures have been re-grouped and re-arranged wherever considered necessary

Annexure II

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

<i>Rs. In lakhs</i>						
PARTICULARS	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Income :						
<i>Technical Service Receipts</i>						
Films	1279.35	1564.04	685.61	503.50	278.70	169.30
Ad Films	363.23	938.41	746.10	584.72	633.41	530.48
Television And Music Video	249.08	625.62	584.78	536.00	354.71	428.90
<i>Other Income</i>	186.34	90.51	15.99	0.00	0.00	0.00
	2078.00	3218.60	2032.48	1624.22	1266.82	1128.68
Expenditure:						
Operating Costs	675.35	1377.77	1105.06	857.90	549.00	584.64
Interest	71.33	145.22	141.44	152.68	112.06	52.43
Depreciation	239.13	395.33	268.45	254.01	398.92	267.52
Profit Before Tax :	1,092.19	1,300.27	517.53	359.63	206.84	224.09
Provision for Taxation						
Current Tax	320.87	244.12	105.00	53.00	28.50	57.80
Deferred Tax	44.74	231.68	82.42	74.64	0.00	0.00
Profit After Tax :	726.58	824.48	330.11	231.99	178.34	166.29
Balance Brought Forward	1653.62	829.14	899.04	532.14	353.80	187.51
Less :Issue of Bonus Shares	0	0.00	-400.00	0.00	0.00	0.00
Add: Change in Depreciation Accounting[1]	0	0.00	0.00	428.03	0.00	0.00
Less :Deferred Tax Liability for earlier years[2]	0	0.00	0.00	-293.13	0.00	0.00
Balance carried to Balance Sheet	2380.20	1653.62	829.14	899.04	532.14	353.80

Note:

[1] Please refer note 1 (a) of Annexure IV

[2] Deferred Tax Liability calculated for the first time in the year ending 31.3.03, was a transitional provision, which was adjusted with the opening balance of Reserves & Surplus of that year.

Annexure III**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****1. Basis for preparation of financial statements**

The financial statements have been prepared under the historical cost conventions in accordance with the Indian Generally Accepted Accounting Principles (GAAP), Accounting Standards as issued by The Institute of Chartered Accountants of India and the provisions of The Companies Act, 1956 and on the basis of going concern.

- i) All the Income & Expenditure are recognized on accrual basis.
- ii) Figures have been taken nearest to rupee.
- iii) Previous year figures have been re-grouped and re-arranged wherever considered necessary

2. Fixed Assets and Depreciation**Fixed assets**

Fixed assets are stated at their original cost of acquisition, including incidental expenses related to acquisition and installation of the concerned assets. Fixed assets are shown net of accumulated depreciation.

Depreciation

Depreciation on fixed assets is provided on Written Down Value Method rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

3. Intangible Assets and amortisation

Goodwill is depreciated on Written Down Value Method.

4. Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the dates of transactions or at the exchange rates under related forward exchange contracts if any. Realised gains and losses on foreign exchange transactions are recognized in profit and loss account.

5. Investments

Investments are stated at cost.

6. Revenue Recognition

Technical service receipts are recognized on the basis of services rendered and is recorded net of service tax.

Prime Focus Limited

7. Taxation

Provision for income tax is made on the basis of estimated taxable income per the provisions of the Income-tax Act, 1961 and the relevant Finance Act. The Company provides for deferred tax using the liability method, based on the tax effects of timing differences resulting from the recognition of items in the financial statements and in estimating its current income-tax provision.

8. Miscellaneous Expenditure

Preliminary expenses are amortized over a period of ten years.

9. Contingent Liabilities (As on 30.09.2005) :

i.	Claims against the Company not acknowledged as debts:	Nil
		(Nil)
ii.	On account of guarantees executed by the Company's bankers:	Nil
		(Nil)
iii.	On account of undertakings given by the Company in favour of	
	Customs authorities	Rs. 11,60,41,986
		(Rs. 3,38,09,847)
iv.	On account of Corporate guarantee	Rs.1,05,11,000
		(Rs.1,05,11,000)
v.	On account of Unexpired letters of credit	Rs.1,91,52,128
		(Rs.9,34,44,945)

(Of the amount of Rs 1,91,52,128 (Rs. 9,34,44,945) an amount of Rs. 28,88,301 (Rs. 2,41,07,000) has been kept in fixed deposit as margin money with The Shamrao Vithal Co-operative Bank Limited.)

SIGNIFICANT NOTES TO ACCOUNTS

1. Changes in accounting policies

a. Depreciation

There was a change in the rate of depreciation in respect of computer and recorder based editing equipments as per the written down value method from 40% and 20% to 13.91% respectively with effect from 1st April, 2002 due to the continuing longevity of those classes of fixed Assets. The Company has followed the written down value method of depreciation as provided under section 349 (4) (k) of the Companies Act 1956, for all the assets of the Company

b. Deferred Tax

The deferred tax liability is calculated in accordance with the Accounting Standard (AS-22) – accounting for taxes on income, issued by the Institute of Chartered Accountants of India and is adjusted in the Profit and Loss Account for the year.

2. Prior Period Adjustments

The Company does not have any prior period adjustments.

3. Provision for Doubtful Debts

Though the company has a proper system of evaluating the receivables, considering the nature of the clientele to which it caters and also the complicated nature of the jobs performed, the billings concluded are always subject to negotiations at the time of settlement, resulting in high level of rebates, discounts and write offs. The company is making efforts to reverse this trend though it is accepted all over as industry practice.

Henceforth in light of above, the company does not feel appropriate to make any provisions on account of doubtful debts.

4. Current Tax Impact of Adjustments

The deferred tax liability is calculated in accordance with the Accounting Standard (AS-22) – accounting for taxes on income, issued by the Institute of Chartered Accountants of India and is adjusted in the Profit and Loss Account for the year.

5. Segmental Information

PARTICULARS	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Film	68%	50%	34%	31%	22%	15%
Ad Films	19%	30%	37%	36%	50%	47%
Television and Music Videos	13%	20%	29%	33%	28%	38%
Total	100%	100%	100%	100%	100%	100%

CASH FLOW STATEMENT
(Rs. In Lacs)

	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit before taxation and extraordinary items	1,092.19	1,300.27	517.53	359.63	206.84	224.09
Adjustments for:						
Depreciation	239.13	395.33	268.45	254.00	398.92	267.52
Foreign exchange loss	-	-	-	-	-	-
Preliminary Expenses written off	47.50	0.53	0.53	0.53	0.53	0.53
Interest expense	71.33	145.22	141.44	152.68	112.06	52.43
Profit on sale of Fixed Asset	(34.85)	-	(2.38)	(13.00)	-	-
Interest income	(65.27)	49.78	(5.58)	(0.44)	-	-
Dividend income	(0.18)	(0.17)	(0.10)	(0.09)	-	-
Operating profit before working capital changes	1,349.86	1,791.74	919.89	767.38	718.34	544.57
Increase / (Decrease) in Sundry Debtors	201.36	617.27	311.43	187.99	145.96	103.14
Increase / (Decrease) in Loans & Advances	410.19	181.30	22.43	(2.26)	94.38	75.45
Increase / (Decrease) in Provisions (Incl. of tax)	-	-	-	(240.12)	-	-
(Increase) / Decrease in Sundry Creditors	(1,831.24)	(658.05)	(224.98)	7.30	(36.93)	(85.42)
	(1,219.68)	140.53	108.88	(47.10)	277.26	93.17
Cash generated from operations	2,569.54	1,651.21	811.01	814.48	441.08	451.39
Less: actual income taxes paid	60.00	107.53	33.09	12.50	5.00	13.25
Cash flow before Extraordinary items	2,509.54	1,543.69	777.92	801.98	436.08	438.14
Adjustment for Extraordinary Items(Change in Depr & DTL)	-	-	-	134.91	-	-
Net cash from Operating activities	2,509.54	1,543.69	777.92	936.89	436.08	438.14
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of fixed assets (Net of Sale Adjustments)	(2,081.15)	(1,846.56)	(335.20)	(767.40)	(787.21)	(836.10)
Interest received	(65.27)	49.78	(5.58)	(0.44)	-	-
Investments purchased	(509.98)	-	78.70	(78.71)	-	(0.50)
Dividends received	(0.18)	(0.17)	(0.10)	(0.09)	-	-
Net cash from Investing activities	(2,656.58)	(1,796.95)	(262.17)	(846.64)	(787.21)	(836.60)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Issue of share capital (incl. Share Premium)	2,499.90	319.22	331.06	-	-	265.00
Proceeds from long-term borrowings	-	762.46	-	93.87	464.31	161.76
Repayment of long Term Borrowings	(171.51)	-	(317.78)	-	-	-
Interest paid	(71.33)	(145.22)	(141.44)	(152.68)	(112.06)	(52.43)
Net cash used in Financing activities	2,257.06	936.46	(128.16)	(58.81)	352.25	374.33
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	2,110.03	683.20	387.59	31.44	1.12	(24.13)
Cash and cash equivalents at beginning of period	1,104.29	421.09	33.50	2.05	0.92	25.05
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3,214.32	1,104.29	421.09	33.50	2.05	0.92

STATEMENTS OF ACCOUNTING RATIOS

PATRICULARS	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Earnings per share (Rs.)	7.39*	9.47	4.13	2.90	2.23	2.08
Net Profit	726.58	824.48	330.11	231.99	178.34	166.29
Networth	6280.78	3101.80	1957.57	1295.89	928.46	749.6
Net Asset value per share (Rs.)	63.90	35.64	24.47	16.20	11.61	9.37
Return on Net Worth (%)	11.57	26.58	16.86	17.9	19.21	22.18
No. of shares outstanding at the end of the period	10,324,500	8,824,500	8,342,000	4,000,000	4,000,000	4,000,000
Weighted Average No. of Shares outstanding	9,828,875	8,703,875	8,000,000	8,000,000	8,000,000	8,000,000

* Fully diluted

The Weighted Average no. of shares has been calculated as per the Accounting Standard AS-20 issued by the Institute of Chartered Accountants of India

Formula:

1.Earnings per share(Rs.) =
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$$

2.Net Asset Value per share (Rs.) =
$$\frac{\text{Net Worth excluding revaluation reserve at the end of the period/year}}{\text{No. of shares outstanding at the end of the period}}$$

3.Return on Net Worth (%) =
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Net Worth excluding revaluation reserve at the end of the period/year}}$$

Annexure VII

CAPITALISATION STATEMENT

Particulars	Pre-Issue as at 30.09.2005	Post Issue *
Borrowings:		
Short-term Debt **	2056.09	
Long-term Debt	1431.06	
Total Debt	3487.15	
Shareholder's Funds :		
Equity Share Capital	1032.45	
Reserves and Surplus	5297.93	
Total Shareholder's Funds	6330.38	
Long-term Debt/Total Shareholders funds(%)	22.61	

** Short Term Debt represents the Overdraft facility which is secured against Fixed Deposits kept with The Shamrao Vithal Co-op Bank Limited and Kotak Mahindra Bank Limited. It also includes Cash credit facility with The Shamrao Vithal Co-op Bank Limited.

Annexure VIII

STATEMENT OF SECURED LOANS AS ON SEPTEMBER 30, 2005

Rs. In lakhs

Particulars	Amount	Remarks
Shamrao Vithal Co-operative Bank Limited	2.00	Term Loan
Shamrao Vithal Co-operative Bank Limited	1333.47	Letters of Credit
ICICI Bank Loan	29.30	Vehicle Loan
Kotak Mahindra Primus Limited	66.29	Vehicle Loan
	1431.06	

BORROWING STATUS AS ON SEPTEMBER 30,2005
(Figures in Rs. Lakhs)
A.TERM LOANS

	Name of the Bank	Limit Sanctioned	Amount Availed	Balance	Interest	Repayment Schedule	Securities Offered
1	Shamrao Vithal Co-op Bank Ltd.	232.75	232.75	2.00	10%	Monthly	Hypotheciation of equipment
2	Vehicle loans from banks	119.39	Grant of Individual Limit	95.59	Varied Rates	EMI as per Bank norms	Secured against Hypothecation of specific vehicles
				97.59			

B.WORKING CAPITAL LIMITS

	Name of the Bank	Nature of facility	Limit Sanctioned	Interest	Utilised	Security
1	Shamrao Vithal Co-op Bank Ltd.	Cash Credit	100.00	10.25%	23.26	Hypothecation of book debts
					23.26	

C.LETTER OF CREDIT LIMITS

	Name of the Bank	Nature of facility	Limit	Utilised	Security
1	Shamrao Vithal Co-op Bank Ltd.	Import LC	263.01	263.01	Pledge of Term Deposits and charge on equipments
2	Shamrao Vithal Co-op Bank Ltd.	Import LC	735.00	733.5	Pledge of Term Deposits and charge on equipments
3	Shamrao Vithal Co-op Bank Ltd.	Import LC	480.00	472.5	Pledge of Term Deposits and charge on equipments
4	Shamrao Vithal Co-op Bank Ltd.	Import LC	200.00	196.00	Pledge of Term Deposits and charge on equipments
5	Shamrao Vithal Co-op Bank Ltd.	Import LC	850.00	414.21	Pledge of Term Deposits and charge on equipments
			2528.01	2079.22	

D.BANK OVERDRAFT

	Name of the Bank	Nature of facility	Limit	Utilised	Security	Interest
1	Shamrao Vithal Co-op Bank Ltd.	Overdraft	1900.00	1459.19	Own Deposits	1% over deposit rate
2	Kotak Mahindra Bank Ltd	Overdraft	495.00	573.64	Own Deposits	1% over deposit rate
			2395.00	2032.83		

STATEMENT OF TAX SHELTER

<i>Rs. In lakhs</i>						
PARTICULARS	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Profit/Loss before tax as per audited accounts	1092.19	1300.27	517.53	359.63	206.84	224.09
Tax at Notional Rate(%)	33.66	36.592	35.88	36.75	35.70	39.55
Adjustments:						
Difference between Tax Depreciation and Book Depreciation	98.06	633.13	229.22	202.58	127.18	95.67
Other Adjustments	35.38	0.53	2.91	13.52	0.53	0.53
Net Adjustments	133.44	633.66	232.13	216.10	127.71	96.20
Tax Saving Thereon	33.01	231.86	83.28	79.42	45.59	38.05
Total Taxation	958.75	666.61	285.40	143.53	79.13	127.89

Annexure X

STATEMENT OF LOANS AND ADVANCES AS ON SEPTEMBER 30, 2005

<i>Rs. In lakhs</i>	
Particulars	Amount
Advance payment of tax (Includes Tax Deducted at Source)	271.77
Advances Recoverable in Cash or in Kind or for the value to be received	
- From Directors	62.50
- From Others	521.41
Security Deposits	
- Directors	60.00
- Others	46.83
	962.51

STATEMENT OF SUNDRY DEBTORS AS ON SEPTEMBER 30, 2005

Rs. In lakhs

Particulars	Amount
(Unsecured, considered doubtful)	
- Outstanding for a period less than six months	-
- Outstanding for a period exceeding six months	-
(Unsecured, considered good)	
- Outstanding for a period less than six months	1204.48
- Outstanding for a period exceeding six months	586.54
	1791.02
Less : Service Tax Included above	170.03
	1620.99

STATEMENT OF RELATED PARTY TRANSACTIONS

Sr.no	Nature of Relationship	Nature of Transaction	2001 (Rs)	2002 (Rs)	2003 (Rs)	2004 (Rs)	2005 (Rs)	30.09.05 (Rs)
1	Relative of Director	Remuneration	1,62,000	3,55,000	2,40,000	3,50,000	6,00,000	3,00,000
2	Relative of Director	Commission	36,500	48,000	48,000	48,000	40,000	-
3	Relative of Director	Commission	55,000	80,000	-	25,510	-	-
4	Relative of Director	Commission	75,000	50,000	1,50,000	1,75,510	1,50,000	-
5	Director	Motorcar Lease	10,21,000	7,36,020	5,92,980	-	-	-
6	Director	Rent	1,20,000	1,20,000	1,20,000	1,20,000	1,20,000	60,000
7	Director	Salary	75,000	9,75,000	15,00,000	15,00,000	15,00,000	7,50,000
8	Director	Motorcar Lease	5,00,213	4,96,332	3,93,250	-	-	-
9	Director	Rent	60,000	1,20,000	1,20,000	1,20,000	1,20,000	60,000
10	Director	Salary	1,80,000	10,80,000	15,00,000	15,00,000	15,00,000	7,50,000
11	Director	Deposit for Premises	40,00,000	25,86,404	-	-	-	-
12	Director	Salary	1,20,000	2,40,000	3,60,000	4,20,000	3,00,000	-
13	Director	Rent	-	1,20,000	1,20,000	1,20,000	1,20,000	-
14	Director	Deposit for Premises	10,30,000	1,80,000	-	-	-	-
15	Relative of Director	Remuneration	-	-	72,000	1,80,000	1,80,000	37,500
16	Relative of Director	Contractual Services	-	-	-	20,000	1,00,000	-
17	Companies in which Director is interested	Inter Corporate Deposit	-	-	-	-	-	62,50,000
18	Relative of Director	Rent	-	-	-	-	-	60,000
19	Companies in which Director is interested	Expenses	-	-	-	-	-	6,00,000
20	Director	Deposit for Premises	13,89,000	-	-	-	-	-
21	Companies in which Director is interested	Technical Services	-	-	-	-	-	2,00,000
TOTAL			88,23,713	71,86,756	52,16,230	45,79,020	47,30,000	90,67,500

Dividend Policy

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.

The Summary of dividends declared by our Company is as follows:

Year Ended	31.03.01	31.03.02	31.03.03	31.03.04	31.03.05	30.09.05
Face value of Equity Share (Rs. per share)	10/-	10/-	10/-	5/-	10/-	10/-
Dividend (in Rs. lakhs)	NIL	NIL	NIL	NIL	NIL	NIL
Dividend Tax (in Rs. Lakhs)	N.A	N.A	N.A	N.A	N.A	N.A
Dividend per equity Share (Rs.)	N.A	N.A	N.A	N.A	N.A	N.A
Dividend Rate (%)	N.A	N.A	N.A	N.A	N.A	N.A

Financial Information Of Group Companies

Prime Focus UK Limited

Prime Focus UK Limited was incorporated on November 1, 2004. It is incorporated as a Private Company Limited by shares by the name with the Registrar of Companies, England and Wales at Cardiff. The Company's registration No. is 5274527. The Company has not commenced any operations and does not have any employees. The Company also does not have any bank account or any financial transactions so far. The Company is situated at 18, Shearway Business Park, Shearway Road, Folkstone, Kent, CT19 4RH.

The Authorised Share Capital of the Company is £ 100 divided into 100 Ordinary Shares of £ 1.00 each. Mr. Namit Malhotra is the sole shareholder & Director holding 1 (one) Ordinary Share of £ 1.00 (One Pound).

The Company was incorporated to ensure that the name "Prime Focus" is available for future use.

Besides the Company mentioned above, we do not have any subsidiary companies or group companies. Hence Financial Information of Group Companies is not applicable.

Prime Focus Limited**Selected Financial Information**

Comparison of the significant items of income and expenditure between financial statements for the FY 2006 (six months) over FY March 2005, FY March 2005 over FY March 2004, FY March 2004 over FY March 2003.

	Rupees in lakhs				
Year Ended	31.03.02	31.03.03	31.03.04	31.03.05	30.09.05
<u>Income</u>					
Sales	1,267	1,624	2,016	3,128	1,892
Other Income	-	-	16	91	186
Total Revenue	1,267	1,624	2,032	3,219	2,078
<u>Expenditure</u>					
Personnel Costs	220	280	312	403	222
Operating Expenses	329	578	793	975	453
Earning Before Depreciation , Interest & Tax(EBITDA)	718	766	927	1,841	1,403
Depreciation	399	254	268	395	239
Interest	112	153	141	145	71
Net Profit before tax and Extraordinary items	207	360	518	1,300	1,092
<u>Taxation</u>					
Current tax	29	53	105	244	321
Deferred tax	-	75	82	232	45
Total Tax	29	128	187	476	366
Adjusted Profit	178	232	330	824	727

Management's discussion and analysis of financial condition and Results of operations

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Draft Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page viii of this Draft Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to Prime Focus Limited on unconsolidated basis. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in Auditor's report of M/s V. Shivkumar & Associates, page no. [•] of this Draft Red Herring Prospectus titled "Financial Information".

The following discussions are based on our restated financial statements for the financial year ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004; March 31, 2005 and for the half year September 30, 2005 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

Overview

Prime Focus Ltd. (PFL) is India's and one of Asia's biggest **integrated end to end post production and visual effects services house**. PFL offers a comprehensive spectrum of services ranging from visual effects, digital film lab (digital intermediate, high-resolution film scanning and film recording), telecine, editing, and motion control to High Definition production.

PFL is consistently adapting in the face of evolving client needs. Our full service capabilities empower filmmakers, ad film makers and television producers with the newest tools and techniques to refine their work in the post production & production environment. PFL is continuously striving to provide the entertainment industry with a superlative creative experience.

PFL talent is considered to be the best in the business providing our customers personalized high-quality service to help them meet the growing demands of the film and broadcast industries. Our work is steadily changing national perceptions

Factors that may affect results of our operations

- Competition
- Technological Obsolescence
- Regulatory Environment
- Choice of locations for international studios

Discussion on Results of operation:

1. Segmental Revenue:

(Figures in Rs. Lakhs)

	2001	2002	2003	2004	2005
Film	15%	22%	31%	34%	50%
Ad Films	47%	49%	36%	37%	30%
Television and Music Videos	38%	28%	33%	29%	20%
Total	100%	100%	100%	100%	100%

There has also been a distinct shift towards Films. Revenue from Films has gone up by 74% (CAGR) over the period FY2001 to FY2005 whereas revenues from Ad films, TV and Music Videos have gone up by 49% and 13% respectively. As a result, Film business in total revenue has steadily risen from 15% in FY2001 to 50% in FY2005 whereas the shares of Ad films and TV and Music Videos have come down.

Total Revenues have grown at a CAGR of 29.03% between FY2001 and FY2005. In FY2005, the YOY growth rate is about 57%.

Prime Focus Limited

2. Analysis of Operating Cost

Analysis of Operating Cost	2001	2002	2003	2004	2005
Staff Cost	29.45%	28.39%	33.31%	28.87%	29.73%
Selling & Distribution Cost	4.28%	69.37%	65.31%	70.41%	69.61%
Administrative Cost	66.27%	2.24%	1.38%	0.73%	0.66%
YOY		-6.10%	56.26%	28.81%	24.68%

The assignments undertaken and the value added creative inputs provided by us to those assignments have a visual appeal. We derive publicity as Ad films, films and music videos are released for viewing. The word-of-mouth too plays an important role in generating new business. The co-production of movies has added another dimension in giving publicity to our Company. (Why such a significant part is spent on selling and distribution)

3. Profitability

	2001	2002	2003	2004	2005
EBIDTA %	48.20	56.66	47.18	45.63	57.19
PAT %	14.73	14.08	14.28	16.24	25.62
Earnings per share (Rs.)	2.08	2.23	2.90	4.13	9.47
Return on Net Worth (%)	22.18	19.21	17.90	16.86	26.58

EPS has been calculated on the basis of Weighted Average Number of Shares determined as per Accounting Standard – 20 issued by the Institute of Chartered Accountants of India.

The lower EBIDTA margins in FY2003, FY2004 are on account of write off of Bad debts and higher rebates and discounts given in collection of debtors. Eliminating the impact of bad debts and rebates gives more robust EBIDTA margins of 57% for FY2005.

Over the period the net margins have been steady. The net margins in FY 2005 of 25.62% is mainly on the account of consistent effort to decrease costs and increase efficiency by sweating assets and using resources to the best.

Comparison Of FY March 2006 (six months) with FY March 2005:

(Figures of FY March 2006 (six months period) have been annualized for the purpose of comparison in terms of ratios.)

Sales Revenues:

Sales for the six-month period from 1st April 2005 to 30 Sep 2005 was Rs. 1892 lakhs, as against sales of Rs. 3128 lakhs in FY March 2005. Out of the total sales 64% represents sales from services provided to feature films, with 55% YOY growth. Receipts from services provided to advertisement films were down 23% as the first six months represent a lean period of the advertisement film industry. Sales revenues from services provided to television industry & ancillary revenues were almost the same.

The sales from services provided to feature films include the following end to end services: digital intermediate, film scanning, film recording, film promos, theatrical trailer, editing, telecine, title sequences, film logos and visual effects and graphics.

Personnel Costs:

Staff costs for the six-month period from 1st April 2005 to 30 Sep 2005 was Rs. 222 lakhs, as against Rs. 403 lakhs in FY March 2005. Year on Year, that is an increase of 10%. The increase in staff costs is on account of new retainer contracts with personnel for the studios in Chennai and Raghuvanshi mills which are expected to start in the first quarter of calendar year 2006..

Operating Expenses:

Operating expenses have fallen from Rs. 975 lakhs, in the FY March 2005 to Rs. 453 lakhs for the first six months ending September 30, 2005. Year on Year, the fall is 7%. The reduction in operating expenses is on account of lower bad debts write off / provision for bad debts. The company had aggressively changed its policy on bad debts write off /provision for bad debts, and most of the impact of the same was absorbed in the financial year March 2005. Apart from this major operating expenses include, insurance, electricity, travel and communication. In the business line of the company operating expenses are more or less fixed and tend not to vary with sales. As a percentage of sales, operating expenses have fallen to 24%, as against 31% for the financial year March 2005.

Depreciation

Depreciation is a real cost for the company. The company operates in a business where there is huge capital expenditure with a very high obsolescence risk and up gradation is frequently required. Year on Year depreciation has gone up by 21%, to Rs. 239 lakhs for the first six months ended September 30, 2005, from Rs. 395 lakhs in the financial year March 2005. The increase in depreciation is on account of new capital purchases for the studios in Chennai and Raghuvanshi mills which are expected to start in the first quarter of calendar year 2006.

PAT:

During the period under review, i.e six months ending September 30, 2005, PAT increased from Rs. 824 lakhs in financial year March 2005, to Rs. 727 lakhs. Year on Year, this is a growth of 76%. The increase in PAT/PAT margin is mainly on account of better utilization of assets for the film side of the business. The company had in the financial year March 2005, strengthened its position in the Digital Intermediate services business for feature films. The company has further consolidated its position in this high revenue per film service business in the first six months ending September 31, 2005, with near 90% market share in the Bollywood market.

Comparison Of FY March 2005 with FY March 2004:**Sales Revenues:**

The Sales revenue increased by 55% from Rs. 2016 Lakhs in FY 04 to Rs. 3128 Lakhs in FY 05. The period under review saw the film side of the business take off, with the company taking control over approx. 80% of the market share for Digital Intermediate and allied film services. The company strengthened its strong hold on the film side of the business, with revenue from services to feature film industry rising by 128%, and accounting for 50% of the total sales as opposed to 34% of the total sales in FY04.

Personnel Costs:

Personnel costs increased by 29% from Rs. 312 Lakhs in FY 04 to Rs. 403 Lakhs in FY 05. The period under review saw the personnel costs as a percentage of sales falls from 15% in FY 04 to 13% in FY05. This was a result of increase asset utilization. On a whole additional personnel services taken up by the growing film services division accounted for the major increase in personnel costs.

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Operating Expenses:

Operating expenses increased by 23% from Rs. 793 Lakhs in FY 04 to Rs. 975 Lakhs in FY 05. The period under review saw the establishment of a new facility, approx 3000 square feet, in Filmcity, Goregaon, for provision of film based services which accounted for the major increase in operating expenses.

Depreciation

Depreciation was up by 47% from Rs. 268 lakhs in FY 04 to Rs. 395 lakhs in FY 05. The addition of expensive capital assets to the film services division accounted for the major increase in depreciation.

PAT:

During the period under review, PAT increased from Rs. 330 lakhs in FY 04 to Rs. 824 lakhs in FY 05. Increased asset utilization by the growing film services division accounted for the bulk of the increase in profits.

Comparison Of FY March 2004 with FY March 2003:

Sales Revenues:

The Sales revenue increased by 24% from Rs. 1624 Lakhs in FY 03 to Rs. 2016 Lakhs in FY 04. Overall increase in efficiency and the addition of new service profiles such as Digital Intermediate, in the film services segment of the business led the growth during the period under review.

Personnel Costs:

Personnel costs increased by 11% from Rs. 280 Lakhs in FY 03 to Rs. 312 Lakhs in FY 04. The period under review saw the personnel costs as a percentage of sales falls from 17% in FY 03 to 15% in FY04.

Operating Expenses:

Operating expenses increased by 37% from Rs. 578 Lakhs in FY 03 to Rs. 793 Lakhs in FY 04. The company in this period acquired additional premises, adjoining its existing premises for setup of additional service units, to cater to the growing demands. The addition of new facilities and services added to the total operating expenses of the company.

Depreciation

Depreciation was up by 6% from Rs. 254 lakhs in FY 03 to Rs. 268 lakhs in FY 04. The addition of capital assets, for the added service profiles of the company, in the first half of the period under review added to the depreciation amount.

PAT:

During the period under review, PAT increased from Rs. 232 lakhs in FY 03 to Rs. 330 lakhs in FY 04 as a result of added capital assets and new service profiles.

SECTION: VI: LEGAL AND OTHER INFORMATION

Outstanding Litigations

We certify that except as stated herein, there are no:

- Other pending litigations against the company.
- Outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under any enactment in respect of Schedule XIII of the Companies Act 1956 (1 of 1956).
- Such cases of pending litigations, defaults etc in respect of Companies/firms/ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.
- Disciplinary action/ investigation has been taken by Securities and Exchange Board of India(SEBI)/ Stock Exchanges against the Company, its directors , promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.
- Cases against the Company or its Promoters of economic offences in which penalties were imposed on promoters.
- Pending litigations, defaults, non payment of Statutory dues, proceedings initiated for economic offences/civil offences, any disciplinary action taken by the Board /Stock Exchanges against the Company/Promoters and their business ventures/Directors other than those mentioned in this Letter of Offer and that no litigations have arisen and the Company and its Directors take full responsibility of the information mentioned in the Letter of Offer.

In the opinion of the Company there have been no material developments after the date of latest balance sheet, which would have an impact on the performance and the prospects of the Company other than what has been set out in this Draft Red Herring Prospectus.

Action Taken Against Directors

A. Action taken by SEBI against Mr. Rakesh Jhunjunwala:

SEBI appointed an Adjudication Officer in January 1998 to inquire into the violations of Regulation 6(1) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 against Mr. Rakesh Jhunjunwala, a Director of the Company regarding acquisition of shares more than 5% of the paid up capital of a listed company without informing the company and the stock exchange. Mr. Rakesh Jhunjunwala admitted that the acquisition of the said shares, which exceeded the limit of 5% only by a small margin, was an unintentional mistake and that the acquisition was a pure investment.

The Adjudication Officer by an Order dated March 19, 1998 directed Mr. Rakesh Jhunjunwala to pay a penalty of Rs.15,000/- for the technical violation. The said amount has been paid to SEBI in April, 1998.

Show Cause notice Issued by SEBI

A show cause notice dated June 17, 2003 for alleged violation of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 was issued upon Mr. Rakesh Jhunjunwala (one of our Director), in respect of which a personal hearing was completed on August 23, 2003 before a member of SEBI. A supplemental show cause notice dated January 22, 2004 was issued followed by a supplemental personal hearing on April 7, 2004 before the member of SEBI. In these two hearings, Mr. Rakesh Jhunjunwala showed cause as to why no violation of any regulations could be inferred from the facts set out in these routine notices. For the last one year, no further communication in this regard has been received from SEBI.

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B. Action by Registrar of Companies against Ms. Pooja Shetty:

1) As a director of Adlabs Films Limited, there were five cases for violation of Section 211, Section 209 and Section 301 of the Companies Act, 1956 lodged in the Magistrate Court Mumbai against Ms. Pooja Shetty in 2002. The cases relate to the years prior to March 2000 i.e. the time when Adlabs Films Limited was a private limited company and also during this period she was not a Director of the company. The compounding order for these cases was issued by Regional Director, Western Region in April 2004. The office of the registrar of companies, Maharashtra has made application for discharge of these cases against her name before the magistrate court in February 2005. The hearing for this has been adjourned to July 2005.

2) Another complaint was lodged before the Magistrate Court against her in the matter of Adlabs Films Limited for violation of Section 297 of Companies Act, 1956 pertaining to 1996-97 when Adlabs Films Limited was a private limited company and also during this period she was not a director of our company. The compounding application for above alleged offences have been filed with the registrar of companies, Maharashtra.

C. Action against Mr. Varadarajan Aanthanarayan being a guarantor for debt:

An application dated 29th March, 2000, under Section 19 (1) of the Recovery of Debts due to the Banks and Financial institutions Act has been filed by State Bank of Travancore before the Debt Recovery Tribunal against M/s. Megalux Electronic Controls Private limited, in which Mr. Varadarajan is a Director and a Guarantor for recovery of Term Loan and Cash Credit limits granted to the tune of about Rs. 63 lakhs together with interest thereon. The said company has disputed the claim and the matter is pending before the Tribunal. Negotiations between the said company and the applicant bank for out of court settlement of the claim is in process.

Amounts due to small-scale undertakings:

There are no small scale undertakings to whom the issuer company owes a sum a sum exceeding Rs. 1 lakh which is outstanding for more than 30 days.

Material Developments

To the knowledge of the Board of Directors of our Company, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

Government Approvals

The Company has received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for its business and no further approvals are required by the company for carrying on the present as well as proposed business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake this Issue and its current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business:

Issuing Authority	Registration/ License No.	Nature of Registration/License	Valid till
Registrar of Companies, Maharashtra, Mumbai,	11-108981	Certificate of Registration	--
Director of Income Tax (Systems)	AAACP6811B	PAN	--
Income Tax Department	MUMP09864B	TAN	--
Inspector under Bombay Sales and Establishments Act, 1948	❖HW-II/004053 ❖HW-II/004055 ❖HW-II/003189 ❖HW-II/004054	Licence under Shop and Establishment Act	All renewed for year 2006
Superintendent Central Excise and Services Tax, Mumbai IV	M-IV/ST/VTPS/03	Certificate of Registration under Service Tax Rules	--

Authority for the Issue

The issue of Equity Shares in this Issue by our Company has been authorised by the resolution of the Board of Directors passed at their meeting held on December 1, 2005, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the general meeting of the shareholders of the Company held on December 26, 2005 at Mumbai.

Prohibition by SEBI

Neither we, nor our Directors or the Promoter Group Companies, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, our Company may make an initial public offering of equity shares, as we meet the following conditions; with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- a) The Company has net tangible assets of at least Rs.300 lakhs in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets.
- b) The Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years.
- c) For calculating distributable profits in terms of Section 205 of the Companies Act extra-ordinary items shall not be considered;
- d) The Company has a net worth of at least Rs.100 lakhs in each of the preceding three full years of 12 months each;
- e) The Company has not changed its name within the last one year, and at least 50% of the revenues for the preceding one full year is earned by the Company from the activity suggested by the existing name; and
- f) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. public issue by way of a prospectus + firm allotment + promoters contribution through offer document) does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.

Disclaimer Clauses, Filing, Listing, etc.

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. CENTRUM CAPITAL LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, CENTRUM CAPITAL LIMITED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, CENTRUM CAPITAL LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JANUARY 16, 2005 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, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.
3. WE CONFIRM THAT:
 - THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - 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;
 - 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;
 - BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
 - WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."
4. THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND 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.

Caution

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.primefocus.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs and us dated January 9, 2005 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at Bidding centres.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Maharashtra High Court, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft 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 from 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 our Company to use 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. 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:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
2. Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
3. 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 in its letter dated [•] permission to us to use NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further 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. 1000 lakhs and the market capitalization shall not be less than Rs.2500 lakhs at the time of listing). The NSE has scrutinised 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 this 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 this Company, its promoters, its management or any scheme or project of this Company. Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Undertaking from Promoters and Directors

We accept full responsibility for the accuracy for the information given in the Draft Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Draft Red Herring Prospectus misleading and we further confirm that we have made all reasonable inquiries to ascertain such facts. We further declare that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The Promoters/ Directors declare and confirm that no information / material likely to have a bearing on the decision of investors in respect of the shares offered in terms of the Draft Red Herring Prospectus has

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been suppressed, withheld and / or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/ material has been suppressed / withheld and/or amounts to a mis-statement / mis-representation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

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 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered along with copies of material contracts and other documents for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of our Equity Shares. [•] will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight (8) days after our Company becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven (7) working days of finalization 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 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."

Consents

Consents in writing of: the Directors, the Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue, Bankers to the Company, Book Running Lead Managers, Syndicate Members, Escrow Collection Bank(s) and Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Draft Red Herring Prospectus with the RoC and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

V. Shivkumar & Associates, our Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for filing with the RoC.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

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 advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Expense
Lead management, underwriting commission*	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (Registrars fee, legal fee, etc.)	[•]
Total estimated Issue expenses	[•]

* Will be incorporated after finalisation of Issue Price

Fees Payable to the BRLM, Brokerage and Selling Commission

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between our Company and the BRLM dated [•] a copy of which are available for inspection at our Corporate Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar' memorandum of understanding dated [•] copies of which is available for inspection at our Corporate Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Particulars Regarding Public Issues During The Last Five Years

We have not made any public issue during the last five years.

Promise vs. Performance

This is the initial public Issue of our Company.

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Issues otherwise than for cash

On November 30, 1999, the company issued 850,000 shares as a consideration for takeover of business of M/s. True Colours, partnership firm owned by Mr. Namit Malhotra (350,000 shares) and Mr. Rivkaran Chada (500,000 shares), under the scheme of arrangement.

On April 1, 2000, the company issued 2,650,000 shares as a consideration for takeover of business of M/s. Video Works, a proprietary concern owned by Mr. Naresh Malhotra, Promoter, under the scheme of arrangement.

On September 30, 2003, the company has issued 4,000,000 bonus shares in the ratio of 1 share for every 1 shares held in the Company by capitalization of Rs. 400.00 lakhs from the free Reserves .

We have not issued any Equity Shares out of revaluation reserves

Particulars in regard to the Company and other listed Companies under the same management within the meaning of Section 370 (1) (B) of the Companies Act, 1956, which had any capital issue during the last three years.

There are no companies under the same management within the meaning of Section 370 (1) (B) of the Companies Act, 1956, that made any capital issue during the last three years..

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Stock Market Data For Our Equity Shares

This being the initial public Issue, the Equity Shares are not listed on any stock exchange.

Mechanism For Redressal of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, [•] giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the Syndicate Member 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 Mr. Nishant Fadia as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Nishant Fadia,
Compliance Officer
Prime Focus Limited
Anand Kunj, North Avenue
Linking Road, Santacruz (West)
Mumbai 400054
Tel.: +91-22 56925000
Fax : +91-22 56976310;
Website: www.primefocus.co.in
E-mail: ipo@primefocus.co.in

Changes in Auditors

There have been no changes in the auditors of the Company during the past three years.

Capitalisation of Reserves or Profits

We have issued Bonus Shares in the ratio of one share for one share held, on September 30, 2003 amounting to Rs. 400 lacs (40,00,000 equity shares of Rs. 10/- each)

Revaluation of Assets

We have not revalued our assets in the past five years.

SECTION: VIII: OFFERING INFORMATION

Terms Of The Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of our Company, the terms of this Draft Red Herring Prospectus, the Bid cum Application Form, the Revision Form, the 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, the Government, Stock Exchanges, RBI, 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, the Memorandum and the Articles of Association of our Company and shall rank *pari passu* in all respects with the existing Equity Shares of our Company, including rights in respect of dividends and other corporate benefits, if any, declared by our Company after the date of allotment. See the section titled “Main Provisions of the Articles of Association” on page no. [•] of this Draft Red Herring Prospectus.

Mode of payment of dividend

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 conditions.

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.

The face value of the shares is Rs. 10 and the Floor Price is [•] times of the face value and the Cap Price is [•] times of the face value.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled “Main Provisions of the Articles of Association” on page 164 of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of one Equity Share.

Nomination Facility to the Investor

In the nature of the rights specified in 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 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 Corporate Office of our Company or at the Registrar and Transfer Agents of our Company.

In the nature of the rights stated in Section 109B of the Companies Act, any Person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors 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.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with our Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change 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 Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

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Arrangements for Disposal of Odd Lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 share. Therefore there is no possibility of odd lots.

Restrictions, if any, on transfer and transmission of shares and their Consolidation/ Splitting

There are no restrictions on transfer and transmission of shares and their Consolidation/ Splitting other than those mentioned in Articles of Association of the Company.

Subscription by Non-Residents/NRI/FIIs/Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation. The allotment of Equity Shares to Non-residents, NRIs, FIIs, Foreign Venture Capital Investors shall be subject to the conditions as may be prescribed by the Government of India, Ministry of Finance and Company Affairs Department (Department of Economic Affairs) and the RBI while granting such permissions.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Bidding Period / Issue Period

BID / ISSUE OPENS ON [•]

BID / ISSUE CLOSES ON [•]

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid

cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE.

Our Company reserves the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The Cap price should not be more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Draft Red Herring Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the website of the BRLMs and at the terminals of the Syndicate.

Designated Date and allotment of Equity Shares

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of allotment.

(b) As per SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

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 finalisation of basis of allocation. We shall ensure dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for the purpose shall be made available to the Registrar by us.

In accordance the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to Bidders within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

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 Bank(s) and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

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Issue Structure

Public Issue of [•] Equity Shares of face value Rs. 10/- each at a price of Rs. [•] for cash at a premium of Rs. [•] per Equity Share aggregating Rs. 10,000 Lakhs (hereinafter referred to as the "Issue"), and the Issue would constitute [•] % of the post Issue paid-up capital of Prime Focus Limited. The Net Issue will have a Green Shoe Option of up to [•] Equity Shares of Rs. 10/- each for cash at a price of Rs. [•] per Equity Share aggregating Rs. 1,500 Lakhs. The Issue and the Green Shoe Option aggregate [•] Equity Shares of Rs. 10/- each, aggregating Rs. 11,500 Lakhs, if the Green Shoe Option is fully exercised. The Issue is being made through the Book Building Process:

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Net Offer less allocation to Non-Institutional Bidders and Retail Individual Bidders subject to minimum of [•] Shares	Minimum of [•] Equity Shares.	Minimum of [•] Equity Shares.
Percentage of Issue Size available for allocation	At least 60% of Issue (including 5% thereof reserved for Mutual Funds) or, Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders.	Upto 10% of Issue or, Issue less allocation to QIB Bidders and Retail Individual Bidders.	Upto 30% of Issue or, Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 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 exceed Rs. 100,000.
Mode of allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.

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, and State Industrial Development Corporations, permitted insurance companies registered 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 law.	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	10% of the bid amount	100%	100%

*Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in Non-Institutional and retail Individual categories , would be allowed to be met with spillover inter-se from any other categories at the discretion of our Company, in consultation with the BRLMs subject to applicable provisions of SEBI Guidelines.

As per Chapter VIIIA of the SEBI Guidelines, the Green Shoe Option will be utilized for stabilising the postlisting price of the Equity Shares. We have appointed ICICI Securities Limited as the Stabilizing

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Agent. The Green Shoe Option consists of the option to over allot up to [●] Equity Shares of Rs. 10 each at a price of Rs. [●] per share aggregating Rs. 1,500 Lakhs representing 15 % of the Issue, exercisable during the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares of the Company and ending 30 days thereafter, unless terminated earlier by the Stabilizing Agent. The Green Shoe Option will be exercised at the discretion of the BRLMs and the Company.

Mr. Naresh Malhotra as the Green Shoe Lender has agreed to lend equity shares, which shall not be in excess of 15% of the Issue ,to the Stabilising Agent.

Issue Procedure

Book Building Process:

In terms of Rule 19(2)(b) of the SCRR, this being an issue for less than 25% of the post-Issue capital, this Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue will be available for allocation on a proportionate basis to QIBs, including upto 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 30% of the Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and up to 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through the members of the Syndicate. Our Company, in consultation with the BRLMs, may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised 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 dematerialised segment of the Stock Exchanges

Book building refers to the process of collection of Bids, on the basis of the Price Band (being the range of Prices between and including the Floor Price and the Cap Price) as stated in this Draft Red Herring Prospectus. The Issue Price is fixed after the Bid Closing Date/Issue Closing Date.

The principal parties involved in the Book Building Process are:

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

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

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

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Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67 %
1000	23	1,500	50.00 %
1500	22	3,000	100.00 %
2000	21	5,000	166.67 %
2500	20	7,500	250.00 %

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers, 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 for bidding:

- Check eligibility for bidding, see the section titled “Issue Procedure-Who Can Bid?” on page no. [•] of this Draft Red Herring Prospectus;
- Ensure that the Bidder has 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.

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue to the public shall be available for allocation on a discretionary basis to QIB Bidders. Further not less than 35% of the Issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional 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 see the section titled “Terms of the Issue” on page no. [•] of this Draft Red Herring Prospectus.

Bidders are required to submit their Bids through the Syndicate. The Company, in consultation with the BRLMs, reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason therefore in case of QIBs. Further, the Company in consultation with the BRLMs, would have the discretion to allocate to QIBs based on a number of criteria which would typically include but not be limited to the following: prior commitment, investor quality, price, earliness of bid. In case of Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

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

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall

have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form.

Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders	[•]
NRIs and 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);
- Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;
- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and

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Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Participation by Associates of BRLMs and Syndicate Members:

Associates of BRLMs and Syndicate Members may bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors or as may be specifically permitted by SEBI. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLMs and Syndicate Members shall be on a proportionate basis.

Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. 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 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 above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may 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.

Application by NRIs

Bid cum application forms have been made available for NRIs at the Corporate 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 our post-Issue issued capital (i.e. 10% of [•] Equity Shares of Rs.10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in 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, as on this 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 SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) 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 above information is given for the benefit of Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws and regulations, which may occur after the date of this Draft Red Herring Prospectus, whether prospectively or retrospectively. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws and regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.100,000. In case the Bid Amount is over Rs.100,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue to the public. However, the maximum Bid by a QIB Bidder 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 Closing Date/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.100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs.100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

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Information for the Bidders

- (a) We will file the Red Herring Prospectus with the RoC at least three days before the Bid Opening Date/ Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares according to the terms of this Draft Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Corporate Office or from any of the members of the Syndicate.
- (d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

- (a) Our Company and the BRLM shall declare the Bid Opening Date/Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two widely circulated national newspapers (one each in English, Hindi and a regional newspaper). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) Investors who are interested in subscribing for the Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
- (c) The Bidding Period shall be a minimum of three (3) working days and not exceeding seven (7) working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English, Hindi and a regional newspaper) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding ten working (10) days.
- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the section titled “Issue Procedure-Bids at Different Price Levels” on page [•] 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.
- (e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled “Issue Procedure-Build up of the Book and Revision of Bids” on page [•] of this Draft Red Herring Prospectus.

(f) The Syndicate Member 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.

(g) 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.

(h) 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 Accounts" on page [•] of this 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 Re.1.
2. In accordance with SEBI Guidelines, our Company 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 the 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.
3. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English, Hindi and a regional Newspaper), and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
4. Our Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
5. Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIB Bidders and Non Institutional Bidders shall be rejected.
6. Retail Individual Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined which may be any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price 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 who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/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 Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount

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plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion 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 the revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

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.5,000 to Rs.7,000.

Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Bank(s) 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 respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts 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 Bank(s) shall transfer the monies from the Escrow Accounts to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the section titled "Issue Procedure-Payment Instructions" on page [•] 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 the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to

unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders, i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual 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 in the section titled "Issue Structure" on page [•] of 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 not later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. 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 we and shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The Syndicate Members will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) 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 Syndicate Members and its authorised agents during the Bidding Period/Issue Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date/Issue Closing Date, the Syndicate Member 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 an half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the 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, FII, NRI or mutual fund, etc.;
 - Numbers of Equity Shares Bid for;

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- Bid price;
 - Bid cum Application Form number;
 - Whether payment is made upon submission of Bid cum Application Form; and
 - Depository Participant identification no. and client identification no. of the 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 member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Bids under the Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on the technical grounds listed in this Draft Red Herring Prospectus.
- (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 us or the BRLMs 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 Promoter, 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 any Syndicate Member shall be electronically transmitted to the NSE or BSE mainframe on a half hourly basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs on a half hourly 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) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

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- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
 - (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, 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.
 - (g) 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.
 - (h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

- (a) After the Bid Closing Date/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our 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 inter alia, on the quality of the Bidder, and the size, price and time of the Bid.
- (c) The allocation for QIB Bidders for up to 50% of the Issue would be discretionary. The allocation to Non-Institutional Bidders for minimum of 15% and Retail Individual Bidders of not less than 35% each of the Issue would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with 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 the FIPB and the RBI while granting permission for allotment of Equity Shares to them.
- (e) 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.
- (f) We reserve the right to cancel the Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever, but before the allotment of the Equity Shares.
- (g) .
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date/Issue Closing Date.

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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, we would update and file the updated Red Herring Prospectus with the 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 our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate Price and the number of Equity Shares to be issued. the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

- (a) The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- (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 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 Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Period specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

Designated Date and allotment of Equity Shares

- (a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of allotment.
- (c) As per SEBI Guidelines, **Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.
- (d) After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would allot the Equity Shares to the Allottees. We would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case we fail to make allotment within 15 days of the Bid / Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.

General Instructions

Do's:

- Check if you are eligible to apply;
- 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;
- Ensure that you bid only in the Price Band;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- Ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all your Bid options;
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- 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
- Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;
- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash;
- Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, for whom the Bid Amount exceeds Rs.100,000);
- Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit Bid accompanied with Stockinvest.
- Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

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Instructions For Completing The Bid Cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable ([•] colour for Resident Indians, [•] colour for NRIs and FIIs applying on repatriation basis).
- 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.
- The Bids from the Retail Individual Bidders must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs.100,000.
- For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of 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 our 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 DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis 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 authorise 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 Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither 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 and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/ the BRLMs may deem fit.

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We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar to the Issue that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by NRIs FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

NRIs, FIIs and Foreign Venture Capital Funds bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Registrar to the Issue or BRLMs whose addresses are printed on the cover page of this prospectus.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category.
- The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids and revision to Bids must be made:

- On the Bid cum Application Form or the Revision Form, as applicable ([•] in color), 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 FIIs for a minimum of such number of Equity Shares and in multiples of [•] thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure-Maximum and Minimum Bid Size" on page [•] 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 funds, multilateral and bilateral development financial institutions, but not in the names of minors, firms or partnerships, foreign nationals (including NRIs) or their nominees, foreign venture capital investors.
- Refunds, dividends and other distributions, if any, will be payable in Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Rupee drafts purchased abroad, such payments in Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by 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. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for NRIs and FIIs. All NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

- 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 and submit the same to the members of the Syndicate.
- 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 within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - o In case of Resident Bidders: [•]
 - o In case of Non Resident Bidders: [•]

In case of bids by NRIs applying on a repatriation basis, the payments must be made through 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 the NRE Accounts or the Foreign Currency Non-Resident Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non-Resident Account.

In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

- Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.
- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Banker to the Issue.
- On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) 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 draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

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 submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

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. We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all portion.

Procedure for Application by Mutual Fund

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of the scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

PAN Number

Where Bid(s) for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares bid for multiplied by the bid price is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T.Act and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Bid cum Application Forms without this photocopy/ PAN Communication/ declaration 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 provide a declaration in Form 60 (Form of declaration to be filed by a person who does not have a PAN and who enters into any transaction specified in rule 114b) or Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B) as may be applicable, duly filled along with a copy of any one of the following documents in support of the address : (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Our right to Reject Bids

We and the BRLMs reserve the right to reject any Bid without assigning any reason therefor in case of QIB Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, we have a right to reject Bids 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:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- Age of First Bidder not given;
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- PAN photocopy/ PAN Communication/ Form 60/Form 61 declaration not given if Bid is for Rs.50,000 or more;
- UIN Number not given for Body Corporates;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bank account details for refund are not given;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;

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- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders applying for greater than 50,000 Equity Shares;
- Bids for number of Equity Shares, which are not in multiples of [•];
- Category not ticked;
- Multiple Bids as defined in this Draft Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLM or the Syndicate Member;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/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 Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure-Bids at Different Price Levels" at page [•] of this Draft Red Herring Prospectus;
- Bids by OCBs; and
- Bids by US Persons other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this portion is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•]

-
- Equity Shares and in multiples of [•] Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [•]
- Equity Shares and in multiples of [•] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be on proportionate basis.
- The aggregate allocation to QIB Bidders shall not be more than [•] Equity Shares.

Method of proportionate basis of allocation

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:
 1. Each successful Bidder shall be Allotted a minimum of [•] Equity Shares; and

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2. 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
 3. Each successful Bidder shall be Allotted a minimum of [•] Equity Shares.
- (e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity
- (f) 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.

Equity Shares in Dematerialised Form with NSDL or CDSL

The allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a tripartite agreement dated February 10, 2004 with NSDL; and
- a tripartite agreement dated [•] with CDSL, us and Registrar to the Issue. This is to be executed prior to the filing of the Red Herring Prospectus with the RoC.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- 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.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- Non-transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar.
- If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, 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.

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.”

Undertakings by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allocation;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

We shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue Proceeds

The Board of Directors of our Company certifies that:

- all monies received out of the Issue to the public 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;
- details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;

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- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested;
- Our Company shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.
- The utilisation of monies received under Promoters' contribution shall be disclosed under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized; and
- The details of all unutilised monies out of the funds received under Promoters' contribution shall be disclosed under a separate head in the balance sheet of our Company indicating the form in which such unutilised monies have been invested.

Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder's sole risk and adequate funds for the purpose shall be made available to the Registrar by us.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- Allotment shall be made only in dematerialised form within 15 days of the Bid Closing Date/Issue Closing Date;
- dispatch refund orders within 15 days of the Bid Closing Date/Issue Closing Date would be ensured; 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 as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Restrictions On Foreign Ownership Of Indian Securities

Foreign investment in Equity Shares of Indian companies is regulated by the provisions of the Foreign Exchange Management Act, 1999 (FEMA) and the rules and regulations framed thereunder read with the Industrial Policy of the Government of India as amended from time to time. 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 investments may be made. Under the Industrial Policy of Government of India, unless specifically restricted, foreign investment is freely permitted in Indian companies up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per the current foreign investment policy, foreign investment is allowed up to 100% in the Entertainment Sector. The government bodies responsible for granting foreign investment approvals are FIPB and RBI. As per the existing regulations, FIIs are permitted to subscribe to shares of an Indian company in a public issue without prior RBI approval, so long as the price of the equity shares to be issued is not less than the price at which equity shares are issued to residents. The maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by the our Company's Shareholders; however, as of the date thereof, no such resolution has been recommended to the shareholders of our company for adoption.

**SECTION: IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF
ASSOCIATION**

Rights Of Members

The Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled “Main Provisions of the Articles of Association” on page no. [•] of this Draft Red Herring Prospectus.

Main Provisions Of The Articles Of Association

The main provisions of the Articles of Association of the Company (hereinafter referred to as ‘the Articles’) post listing of the Company’s Equity Shares inter alia are as under:

Share Capital

Article 3 provides that

- a. The Authorised Share Capital of the Company is as mentioned in Clause V of Memorandum of Association of the Company
- b. The paid up capital of the Company shall minimum be Rs.5,00,000/-.

Increase Capital

Article 4 provides that the company shall have power to, in General Meeting, from time-to-time, by an ordinary resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued 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 be given, as the Directors shall determine and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a right of voting at General Meetings of the Company in conformity with Section 87 of the Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Sections 81 and 97 of the Act.

New capital same as existing capital

Article 5 provides that except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Power to issue preference shares

Article 6 provides that 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 liable to be redeemed on such terms and in such manner as the Company before the issue of the shares may, by ordinary resolution, determine.

Article 7 provides that the Cumulative Redeemable Preference shares (hereinafter called Preference shares) shall unless the terms of issue otherwise provide, confer on the holders thereof the following rights/privileges that is to say :

- (a) The right to a Cumulative Preferential dividend at such rate as may be prescribed by the terms of issue of such shares, on the share capital for the time being paid-up thereto, free of Company's income-tax, but subject to deduction of taxes at source at the rate or rates prescribed from time to time.
- (b) The right in the event of winding up to payment of such capital and arrears of dividend, whether earned, accrued declared or not, down to the commencement of the winding up in priority to equity shares but shall not confer any further right to participate in profits or assets.

Issue of Sweat Equity Shares

Article 8 provides that

- (1) The Company may exercise the powers of issuing sweat equity shares conferred by Section 79A of the Act of a class of shares already issued subject to the following conditions:
 - a. The issue of sweat equity shares is authorised by a special resolution passed by the Company in general meeting;
 - b. The resolution specifies the number of shares, their value and the class or classes of directors or employees to whom such equity shares are to be issued; and
 - c. Not less than one year has at the date of issue elapsed since the date on which the Company was entitled to commence business.

ESOP

- (2) Subject to the provisions of Section 79A and other applicable provisions of the Act and the Rules made thereunder, the Company may issue Sweat Equity Shares if such issue is authorised by a Special Resolution passed by the Company in the general meeting. The Company may also issue shares to employees including its Directors, under Employee Stock Option Scheme (ESOP) or any other scheme, if authorised by a Special Resolution of the Company in general meeting subject to the provisions of the Act and the Rules and applicable guidelines made thereunder, by whatever name called.

Purchase of own shares

Article 9 provides that

- a. Pursuant to Section 77A of the Act, the Company may purchase its own shares or other specified securities from out of its free reserves or out of its securities premium account or out of the proceeds of an

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earlier issue other than fresh issue of shares made specifically for buy-back purposes by passing a special resolution in the general meeting of the Company.

b. Notwithstanding anything contained in these Articles, the Board of Directors may, when and if thought fit, buyback such of the Company's own shares or securities, subject to such limits, upon such terms and conditions and subject to such approvals, as may be permitted under Section 77A of the Companies Act, 1956 and the applicable guidelines and regulations that may be issued in this regard.

Reduction of capital

Article 10 provides that the Company may from time to time by Special Resolution reduce its share capital in the manner Authorised by law and in particular may pay off any paid-up share capital upon the footing that it may be called up again or otherwise and may if and so far as is necessary alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.

Power to subdivide and consolidate

Subject to the provisions of Section 94 of the Act, the Company in general meeting may, from time to time, sub-divide or consolidate all or any of the share capital into shares of larger amount than its existing share or sub-divide its shares, or any of them into shares of smaller amount than is fixed by the Memorandum; subject nevertheless, to the provisions of clause (d) of sub-section (I) of Section 94; and the resolution whereby any share is sub-divided, may determine that, as between the holders of the share resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other. Subject as aforesaid the Company in general meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Power to purchase own securities

Pursuant to Section 77A of the Act, the Company may purchase its own shares or other specified securities from out of its free reserves or out of its securities premium account or out of the proceeds of an earlier issue other than fresh issue of shares made specifically for buy-back purposes by passing a special resolution in the general meeting of the Company.

Modifications of Rights

a. If at any time the share capital, by reason of the issue of Preference Shares or otherwise is divided into different classes of shares, all or any of the rights privileges shares, all or any of the rights privileges attached to any class (unless otherwise provided by the terms of issue of the shares of the class) may, subject to the provisions of Section 106 and 107 of the Act and whether or not the Company is being wound-up, be varied, modified or dealt, with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate class of meeting.

b. The rights conferred upon the holders of the Shares (including Preference Share if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of shares of that class, be deemed not to be modified, commuted affected, abrogated, dealt with or varied by the creation or issue of further shares ranking pari passu therewith.

Members right to Certificate of Shares

Article 21 provides that every member or allottee of shares shall be entitled without payment, to receive one certificate specifying the name of the person in whose favour it is issued the shares to which it relates

and the amount paid-up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against letter of acceptance or of renunciation or in cases of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, under the Companies (Issue of share Certificate) Rules, 1960, which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose and two Directors or their attorneys and the Secretary or other person shall sign the share certificate, provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing or a whole-time Director. Particulars of every share certificate issued shall be entered in the Registered of Members against the name of the person, to whom it has been issued, indicating the date of issue.

Calls

Article 29 provides that the Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board and not by a circular resolution, make such calls as it thinks fit, upon the Members in respect of all the moneys unpaid on the shares held by them respectively and each Member shall pay the amount of every call so made on him to the persons and at the time and places appointed by the Board.

Notice to call

Article 30 provides that Fifteen days' notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid

Calls to date from resolution

Article 31 provides that a call shall be deemed to have been made at the time when the resolution of the Board of Directors authorising such call was passed and may be made payable by the members whose names appear on the Register of Members on such date or at the discretion of the Directors on such subsequent date as may be fixed by Directors.

Interest to be charged

Article 34 provides that If any Member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board not exceeding 21% per annum but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

Evidence in actions By Company against Shareholders

Article 36 provides that On the trial or hearing of any action or suit brought by the Company against any Member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the Member in respect of whose shares the money is sought to be recovered, appears entered on the Register of Members as the holder, at or subsequent to the date at which the money is sought to be recovered is alleged to have become due on the share in respect of which such money is sought to be recovered in the Minute Books; and that notice of such call was duly given to the Member or his representatives used in pursuance of these Articles; and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of Directors was present at the Board at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Payment of calls in advance

Article 38 provides that the Board may, if it thinks fit, receive from any Member willing to advance the same, all or any part of the amounts of his respective shares beyond the sums, actually called up and upon the moneys so paid in advance, or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made the Board may pay or allow interest, at such rate as the member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to the Member three months' notice in writing: provided that moneys paid in advance of calls on not shares may carry interest but shall not confer a right to dividend or to participate in profits.

Company to have lien on shares

Article 39 provides that the Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any shares shall be created except upon the footing and upon the condition that Article 24 hereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Board may at any time declare any shares to be wholly or in part exempt from the provisions of this Article.

Enforcing lien by sale

Article 40 provides that for the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member of the person (if any) entitled by transmission to the shares and default shall have been made by him in payment, fulfillment of discharge of such debts, liabilities or engagements for seven days after such notice. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof and purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as the Certificates in respect of the shares sold shall stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new Certificate or Certificates in lieu thereof to the purchaser or purchasers concerned.

Forfeiture and Surrender of shares

Article 42 provides that if any Member fails to pay the whole or any part of any call or installment or any moneys due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may, at any time thereafter, during such time as the call or installment or any part thereof or other moneys as aforesaid remains unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such Member or on the person (if any) entitled to the shares by transmission, requiring him to pay such call or installment of such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all reasonable expenses (legal or otherwise) that may have been accrued by the Company by reason of such non-payment. Provided that no such shares shall be forfeited if any moneys shall remain unpaid in respect of any call or installment or any part thereof as aforesaid by reason of the delay occasioned in payment due to the necessity of complying with the provisions contained in the relevant exchange control laws or other applicable laws of India, for the time being in force.

Terms of notice

Article 43 provides that the notice shall name a day (not being less than fourteen days from the date of notice) and a place or places on and at which such call or installment and such interest thereon as the Directors shall determine from the day on which such call or installment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place or places appointed, the shares in respect of which the call was made on installment is payable, will be liable to be forfeited.

Shares to be forfeited

Article 44 provides that If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter but before payment of all calls or installments, interest and expenses, due in respect thereof, be forfeited by resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Notice after forfeiture

Article 45 provides that when any shares have been forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof shall forthwith be made in the Register of Members.

Power to annul forfeiture

Article 46 provides that Any shares so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board in their absolute discretion shall think fit.

Arrears to be paid

Article 47 provides that any Member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate as the Board may determine and the Board may enforce the payment of the whole or a portion thereof as if it were a new call made at the date of the forfeiture, but shall not be under any obligation to do so.

Transfer of Securities

Article 54 provides that nothing contained in section 108 of the Companies Act, 1956 or these Articles, shall apply to transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Register and index of beneficial owners

Article 13A(8) provides that the Register and index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and security holders for the purpose of the Articles..206

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Other matters

Article 13A(9) provides that notwithstanding anything contained in these Articles the provisions of Depository Act, 1996 relating to dematerialisation of securities, including any modification(s) or re-enactment thereof and Rules/Regulations made thereunder shall prevail and apply accordingly.

TRANSFER AND TRANSMISSION OF SHARES

Execution of transfer, etc.

Article 34 provides that subject to the provisions of the Act, no transfer of the shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and transferee has been delivered to the Company together with the certificate or certificates of the shares, or if no such certificate is in existence along with the letter of allotment of shares. The instrument of transfer of any shares shall be signed both by or on behalf of the transferor and by or on behalf of the transferees and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the Register in respect thereof.

Application for transfer

Article 35 provides that application for the registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee in the manners prescribed by the Act, and, subject to the provisions of Articles of Association hereof, the Company shall, unless objection is made by the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

Notice of transfer to registered holder

Article 36 provides that before registering any transfer tendered for registration, the Company may, if it so thinks fit, give notice by letter posted in the ordinary course to the registered holder that such transfer deed has been lodged and that unless objection is taken, the transfer will be registered and if such registered holder fails to lodge an objection in writing at the office of the Company within two weeks from the posting of such notice to him, he shall be deemed to have admitted the validity of the said transfer.

Register of transfer

Article 37 provides that the Company shall keep a 'Register of Transfers' and therein shall be fairly and distinctly entered particulars of every transfer of any shares.

In what case to decline to register transfer of shares

Article 38 provides that subject to the provisions of Section 111 of the Act, the Board, of Directors without assigning any reason for such refusal, may within one month from the date on which the instrument of transfer was delivered to the Company, refuse to register any transfer of a share upon which the Company has a lien and, in the case of a share not fully paid-up, may refuse to register a transfer to a transferee of whom the Board does not approve. Provided that, the registration of transfer of share shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company of any account.

No transfer to person of unsound mind

Article 39(1) provides that no transfer shall be made to a minor or a person of unsound mind.

No fee for registration for transfer, etc.

Article 39(2) provides that no fee shall be charged for registration of transfer, probate, letter of administration, certificate of death or marriage, Power of Attorney or similar other instruments.

When instrument of transfer to be retained

Article 40 provides that all instruments of transfer duly approved shall be retained by the Company and in case of refusal, instruments of transfer shall be returned to the person who lodges the transfer deeds.

Notice of refusal to register transfer

Article 41 provides that if the Directors refuse to register the transfer of any shares, the Company shall, within one month from the date on which the instrument of transfer was lodged with the Company or intimation given, send to the transferor and the transferee or the person giving intimation of such transfer notice of such refusal.

Power to close transfer books and register

Article 42 provides that On giving seven day's notice by advertisement in a newspaper circulating in the District in which the office of the Company is situated the Register of Members may be closed during such time as the Directors think fit not exceeding in the whole forty five days in each year but not exceeding thirty days at a time.

Transmission of registered shares

Article 43 provides that the executors or administrators or the holders of a succession certificate in respect of shares of a deceased member (not being one of several joint holders) shall be the only person whom the company shall recognize as having any title to the shares registered in the name of such member and, in case of death of any one or more of the joint-holders of any registered shares the survivors shall be only persons recognized by the Company as having any title to or interest in such shares but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognizing any legal representative or heir or a person otherwise claiming title to the shares, the Company may require him to obtain the grant of probate or letters of administration or succession certificate, or other legal representation, as the case may be from a competent Court, provided nevertheless that any case where the Board in its absolute discretion think fit, it shall be lawful for the Board to dispense with production of probate or letters of administration or a succession certificate or such other legal representation upon such terms as to indemnity or otherwise as the Board may consider desirable.

As to transfer of shares of deceased or insolvent members

Article 44 provides that any person becoming entitled to shares in consequence of the death or insolvency of any member, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article, or of his title as the Directors think sufficient may with the consent of the Directors (which they shall not be under any obligation to give), may, subject to the regulations as to transfer hereinbefore contained transfer of such shares. This Article is herein after referred to as 'The Transmission Article' subject to any other provisions of these Articles if the person so becoming entitled

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to shares under this or the last preceding Article shall elect to be registered as a member in respect of the share himself he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to transfer to some other person, he shall execute an instrument of transfer in accordance with the provisions of these articles relating to transfer of shares. All the limitations, restrictions and provisions of these Articles relating to the rights to transfer and the registration of transfers of shares shall be applicable to any such notice of transfer as aforesaid.

Rights of executors and trustees

Article 45 provides that subject to any other provisions of the Articles, if the Directors in their sole discretion are satisfied in regard thereof, a person becoming entitled to a share in consequences of the death or insolvency of a member may receive and give a discharge for any dividends or other money payable in respect of the share. Article 46 provides that the instrument of transfer shall be in writing and all the provision of Section

108 of the Companies Act, 1956 and of any statutory modification thereof, for the time being shall be duly complied with in respect of all transfers of shares and the registration thereof.

GENERAL MEETINGS

Extra Ordinary General Meeting

Article 61 provides that the Directors may, whenever they think fit, call an Extra Ordinary General Meeting provided, however, if at any time there are not in India Directors capable of acting who are sufficient in number to form a quorum, any two Director present in India may call an Extra Ordinary-General Meeting in the same manner as nearly as possible as that in which such meeting may be called by the Board.

Calling of Extra Ordinary General Meeting on requisition

Article 62 provides that the Board of Directors of the Company shall on the requisition of a member or members of the Company as is specified in sub-section (4) of section 169 of the Act, forthwith proceed to call an Extra Ordinary General Meeting of the Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the provisions of section 169 of the Act and or any statutory modification thereof, for the time being shall apply.

Quorum

Article 63 provides that the quorum for the General Meeting shall be five members present in person.

Chairman

Article 64 provides that at every General Meeting, the Chair shall be taken by the chairman of the Board of Directors, if at any meeting, the chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the Meeting or, though present be unwilling to act as chairman, the members will choose one of the Directors present, being a member entitled to vote, be the chairman.

Sufficiency of ordinary resolutions

Article 65 provides that any act or resolution which, under the provisions of this article or of the Act, is permitted shall be sufficiently so done passed if effected by an ordinary resolution unless either the Act or the Articles specifically require such act to be done or resolution to be passed by a special resolution.

When if quorum be not present, meeting to be dissolved and when adjourned

Article 66 provides that if within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon a requisition of shareholders shall be dissolved but in any other case it shall stand adjourned to the same day in the next week at the same time and place, unless the same shall be a public holiday when the Meeting shall stand adjourned to the next day not being a public holiday at the same time and place and if at such adjourned meeting a quorum be not present within half an hour from the time appointed for the Meeting, those members who are present and not being less than two persons shall be a quorum and may transact the business for which the meeting was called.

How question of resolution to be decided at meetings

Article 67 provides that in the case of an equality of votes, the chairman shall both on a show of hands and a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a member.

Power to adjourn Meeting

Article 68 provides that the Chairman of a General Meeting may adjourn the same, from time to time and from place to place, but no business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place, it shall not be necessary to give notice to the members of such adjournment or of the time, date and place appointed for the holding of the adjourned Meeting.

Business may proceed notwithstanding demand of poll

Article 69 provides that if a poll be demanded, the demand of a poll shall not prevent the continuance of a Meeting for the transaction of any business other than the question on which a poll has been demanded.

Vote of Members

Article 70 provides that on a show of hands every member present by person and being a holder of equity shares shall have one vote and every person present as a proxy on behalf of a holder of equity shares or as a duly authorised representative of a body co-operate being a holder of equity shares, if he is not entitled to votes in his rights, shall have one vote. On a poll the voting rights of a holder of equity shares shall be as specified in specified in section 87 of the Act. The voting right of the holders of the preference shares including the Redeemable Cumulative Preference Shares shall be in accordance with the provisions of section 87 of the Act. No company or body corporate shall vote by proxy so long as a resolution by its Board of Directors under section 187 of the Act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered. Article 71 provides that a person becoming entitled to a share shall not, before being registered as a member in respect of the share, entitled to exercise in respect thereof any right conferred by membership in relation to meeting of the Company. Votes in respect of deceased, insolvent and insane members Article 72 provides that if any member be a lunatic or idiot, he may vote either on a show of hands or at a poll by his committee or other legal curator and such last mentioned persons may give their votes by proxy provided at least twenty four hours before the time of holding the Meeting or adjourned Meeting, as the case may be, at which any such persons proposes to vote he shall satisfy the Board of his rights under this article unless the Board shall have previously admitted his right to vote at such Meeting in respect thereof.

CONSTITUTION OF BOARD

Number of Directors

Article 81 provides that the number of Directors shall not be less than three and not more than twelve.

Power of Directors to add its number

Article 83 provides that the Directors shall have powers, at any time and from time to time to appoint any person as an additional Director as on addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these articles. Any Director so appointed shall hold office only until the next Annual General Meeting of the Company and shall be eligible for re-election.

Continuing Directors may act

Article 86 provides that the continuing Directors may act notwithstanding any vacancy in their body but so that if the number falls below the minimum number above fixed, the Directors shall not except for the purpose of filling vacancies or of summoning a General Meeting act so long as the number is below the minimum.

APPOINTMENT OF DIRECTORS

Article 88 provides that the Company in General Meeting may, subject to the provisions of these Articles and Act, at any time elect any person to be a Director and may, from time to time increase or reduce the number of Directors.

Article 89 provides that any member of Company shall be competent to propose the name of any person who is otherwise not disqualified as being a Director of a company for the office of Director in the Company and shall accordingly give a deposit of Rs.500/- (Rupees five hundred) or such sum as may for the time being be prescribed by the Act, and rules made thereunder, which shall be refunded only after the person proposed to be appointed as Director is elected.

Board may fill up casual vacancies

Article 90 provides that if any Director appointed by the Company in General Meeting vacates office as a Director before his terms 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 no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under section 284 of the Act.

Nominee Directors

Article 91 provides that the Company shall, subject to the provisions of the Act, be entitled to agree with any person, firm or corporation that he or it shall have the right to appoint his or its nominee on the Board of Directors of the Company upon such terms and conditions as the Company may deem fit. The corporation, firm or person shall be entitled, from time to time, to remove any such Director or Directors and appoint another or others in his or their places. He shall be entitled to the same rights and privileges and be subject to the same obligation as any other Director of the Company.

Nomination of Director by financial and other institution

Article 92 provides that: The Company shall pursuant only to a specific agreement and not otherwise, have a right to appoint from time to time any person or persons as Director/(s) (which Director or Directors is/are hereinafter referred to as nominees Director/s) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their places.

The Board of Directors of the Company shall have no power to remove from office the nominee Director/s. At the option of the corporation, such Nominee Director/ shall not be liable to retirement by rotation of Directors, Subject as aforesaid, Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company. The Nominee Director/s so appointed shall hold the said office only so long as any money remain owing by the Company to the corporation or as a result of underwriting or direct subscription and the Nominee Directors so appointed in exercise of the said power shall ipso-facto vacate such office immediately after the moneys owing to by the Company to the corporation is paid off or the corporation ceasing to hold shares in the Company over 5% of the paid up equity share capital of Company. The Nominee Director/s appointed under this Article shall be entitled to receive all notice of and attend all general meetings, Board Meeting and of the meetings of the committee of which the Nominee/s is/are member/s and also minute of such meeting. The Corporation shall also be entitled to receive all such notices and meetings. The Nominee Director shall be appointed as Member of the Management Committee of the Board, if so desired by the VC Investors. The Company shall pay to the Nominee Director/s sitting fee and expenses which the other Directors of the Company are entitled to, but if any other fees, commission, money or Remuneration in any form is payable to the Directors of the Company, the fees, commission, moneys and remuneration in relation to such Nominee Director/s shall accrue to the corporation and the same shall accordingly be paid by the Company directly to the corporation. Any expenses that may be incurred by the corporation or any such Nominee Director/s in connection with their appointment of directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s. Provided that if any such Nominee Director/s is/are an officer of the corporation, the sitting fees, in relation to such nominee director/s shall be paid by the Company directly to the corporation. Provided also that in the event of the nominee Director/s being appointed as a whole time Director/s such nominee directors shall exercise powers and duties as may be approved by the corporation and have such rights as are usually exercised or available to a whole time Director, in the management of the affairs of the Company. Such nominee Director/s shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the corporation.

Alternate Directors

Article 93 provides that subject to the provisions of Section 313 of the Act, the Board may appoint any person to act as an Alternate Director for a Director during the latter's absence for a period of not less than three months from the state in which meetings of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an alternate Director, shall be entitled to notice of meetings of the Board and to attend and vote thereat accordingly, but he shall ipso-facto vacate office if and when the absent director returns to state in which meetings of the Board are ordinarily held or the absent Director vacates office as a Director.

Rotation of Directors

Article 94 provides that, not less than two-third of the total number of Directors shall be persons whose period of office is liable to determination by retirement of Director by rotation. At each Annual General Meeting of the Company one-third of or such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office.

The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who become Directors on the same day, those to retire shall, in default of and subject to any agreement among themselves, be determined by lot. If at any Annual General Meeting all the Directors appointed under Article 92 and 113 hereby are exempt from retirement by rotation under Section 255 of the Act, then to the extent permitted by the said Section, the exemption shall extend to the Directors or Director appointed under Article 109. Subject to the

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foregoing provisions as between Director or Directors who shall not be liable to retire by rotation shall be determined by and in accordance with their respective seniorities as determined by the Board.

Retiring Directors eligible for re-election

Article 95 provides that a retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires. Subject to any resolution for reducing the number of Directors, if at any meeting at which election of Directors ought to take place, the places of the retiring Directors are not filled up, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday at the same time and place and if at the adjourned meeting, the places of the retiring Directors are not filled up, the retiring Directors or such of them as have not have their places filled up shall (it will continue in office) be deemed to have been re-elected at the adjourned meeting unless:-

- a. At the meeting or at the previous meeting a resolution for the appointment of such Director has been put to vote and has been lost or
- b. The retiring Director has by notice in writing addressed to the Company or the Board expressed his unwillingness to be re-appointed or
- c. He is not qualified or disqualified for appointment or
- d. A resolution, whether special or ordinary is requested for his appointment or re-appointment by virtue of any provisions of the Act; or
- e. The provision of sub-section 2 of Section 263 or sub-section 3 of section 280 of the Act is applicable to the case.

PROCEEDINGS OF BOARD MEETINGS

Meetings of Directors

Article 97 provides that the Director may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Notice in writing of every meeting of the Directors shall ordinarily be given by a Director or such other officer of the Company duly authorised in this behalf to every Director for the time being in India and at his usual address in India.

Quorum

Article 98 provides that the quorum for a meeting of the Directors shall be determined, from time to time, in accordance with the provisions of Section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding the meeting of the Directors, it shall be adjourned until such date and time, as the Directors present shall fix.

Summoning a meeting of Directors

Article 99 provides that the Secretary may at any time and upon request of any two Directors shall summon a meeting of the Directors.

Voting of meeting

Article 100 provides that subject to the provisions of Section 316, 372(5) and 386 of the Act, questions arising at any meeting shall be decided by a majority of votes, each Director having one vote and in case of any equality of votes, the Chairman shall have a second or casting vote.

Chairman of meeting

Article 101 provides that the Chairman of the Board of Directors shall be the Chairman of the meeting of Directors. Provided that if, the Chairman of the Board of Directors is not present within five minutes after the appointed time for holding the same, the Directors present shall choose one of their members to be chairman of such meeting.

Act of meeting

Article 102 provides that a meeting of Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under the Articles of the Company and the Act for the time being vested in or exercisable by the Directors generally.

To appoint committee and to delegate power and revoke it

Article 103 provides that the Directors may, subject to compliance of the provisions of the Act, from time to time, delegate any of their powers to Committees consisting of such member or members of their body as they think fit and may, from time to time, revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated confirm to any regulations that may, from time to time, be imposed on it by the Directors. The meeting and proceedings of any such Committee, if consisting of two or more members, shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded by any regulation made by the Directors under the Article.

Validity of acts

Article 104 provides that all acts done at any meeting of Directors or of a Committee of the Directors or by any person acting as a Director shall be valid notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Directors, Committee or person acting as aforesaid or that they or any of them were disqualified.

Resolution by Circulation

Article 105 provides that except resolution, which the Companies Act, 1956 requires it specifically to be passed in a Board Meeting, the Director or Committee may pass a resolution thereof by circulation in accordance with the provision of Section 289 of the Act. And any such minutes of any meeting of Directors or of any Committee or of the Company if purporting to be signed by the Chairman of such meeting or by the Chairman of next succeeding meeting shall be receivable as Prima Facie evidence of the matters in such minutes.

POWERS OF BOARD OF DIRECTOR

General power of the Company vested in the Directors

Article 106 provides that subject to the provisions of the Act, the Control of the Company shall be vested in the Directors who shall be entitled to exercise all such powers and to do all such acts and things as may be exercised or done by the Company and are not hereby or by law expressly required or directed to be exercised or done by the Company in General Meeting but subject nevertheless to the provisions of any law and of these presents, from time to time, made by the Company in General Meeting, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

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Power to delegate

Article 107 provides that without prejudice to the general powers conferred by the preceding article, the Director may, from time to time and at any time, subject to the restrictions contained in the Act, delegate to managers, secretaries, officers, assistants and other employees or other persons (including any firm or body corporate) any of the powers authorised and discretions for the time being vested in the Directors.

Power to authorize sub-delegation

Article 108 provides that the Directors may authorise any such delegate or attorney as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.

Signing of Documents

Article 109 provides that all deeds, agreements and documents and all cheques, promissory notes, drafts, hundies, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted or endorsed or otherwise executed, as the case may be by such persons (including any firm or body corporate) whether in the employment of the Company or not and in such manner as the Directors shall, from time to time, by resolution determine.

Management abroad

Article 110 provides that the Directors may make such arrangement as may be thought fit for the management of the Company's affairs abroad, and may for this purpose (without prejudice to the generality of their powers) appoint local bodies and agents and fix their remuneration and delegate to them such powers as may be deemed requisite or expedient. The foreign seal shall be affixed by the authority and in the presence of and instruments sealed therein shall be signed by such persons as the Directors shall, from time to time, by writing under the Common Seal appoint. The Company may also exercise the powers of keeping Foreign Registers. Such regulation not being inconsistent with the provisions of Section 157 and 158 of the Act, the Board may, from time to time, make such provisions as it may think fit relating thereto and may comply with the requirements of any local law.

MANAGING DIRECTOR(S) AND WHOLE TIME DIRECTOR

Power to appoint Managing Director

Article 113 provides that subject to the provisions of Sections 197A, 269, 316 and 317 and Schedule XIII of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director or Managing Directors of Company and may, from time to time, (subject to the provisions of any Contract between him or them and the Company), remove or dismiss him or them from office and appoint another or others in his place or their places.

To what provisions he shall be subjected

Article 114 provides that subject to the provisions of Section 255 of the Act and a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation, but he shall be counted for ascertaining the numbers of Director to retire (subject to the provisions of any contract between him and the Company) he shall be subject to the same provisions as to resignation and removal as the other Directors, and he shall, if so fact and immediately, cease to be a Managing Director if he ceases to hold the office of Director or for any cause.

Remuneration of Managing Director

Article 115 provides that subject to the provisions of Section 198, 309, 310, 311 and Schedule XIII of the Act, a managing Director shall, in addition to the remuneration payable to him as a Director of the Company under the Articles, receive such additional remunerations as may, from time to time, be sanctioned by the Company.

Power of Managing Director

Article 116 provides that subject to the provisions of the Act, in particular to the prohibitions and restrictions contained in Section 292 and 293 thereof, the Board may, from time to time entrust to and confer upon a Managing Director for the time being such of the powers exercisable under these presents by the Board as it may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as it thinks fit and the Board may confer such powers either collaterally with, or to exclusion of, and in substitution for any of the powers of the Board in that behalf and may, from time to time, revoke, withdraw, alter or vary all or any of such powers.

Article 117 provides that the Company shall not at any time commence any business out of other objects of its Memorandum of Association unless the provisions of sub-section 2(B) of Section 149 of the Act have been duly complied with by it.

SECRETARY

Article 111 provides that subject to Sections 197A, 314, 383A and 388 of the Act, a manager or secretary may be appointed by the Directors on such terms, at such remuneration and upon such conditions as they may think fit and any manager or Secretary appointed may be removed by the Directors. A Director may be appointed a Manager or Secretary, subject to Section 197A, 314, 383A, 387 and 388 of the Act.

Act of Director, Manager or Secretary

Article 112 provides that a provision of the Act or these regulations requiring or authorising a thing to be done by a Director, Manager or Secretary shall not be satisfied by its being done by the same person acting both as Director and as, or in place of the manager or Secretary.

THE SEAL

Custody of Seal

Article 118 provides that the Directors shall provide for the safe custody of the Seal and the Seal shall never be used except by the authority of the Directors or a Committee of the Directors previously given and one Director at least shall sign every instrument to which the seal is affixed provided nevertheless that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Director to issue the same.

DIVIDENDS AND RESERVES

How profits shall be divisible

Article 119 provides that subject to Rights of members entitled to shares (if any) with preferential or special rights attached to them, the Profits of the Company, from time to time, determined to be distributed as dividend in respect of any year or other period shall be applied for payment of dividend on the shares in proportion to the amount of capital paid up on the shares provided that unless the Board

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otherwise determines all dividends shall be apportioned any property acquired by the board apportioned and paid proportionately to the amounts paid or credit ed as paid up on the shares during any portion or portions of the period in respect of which dividend is paid. Provided always that subject as aforesaid any capital paid up on a share during the period in respect of which a Dividend is declared shall (Unless the Board otherwise determines or the terms of issue otherwise provide, as the case may be), only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment but so that where capital is paid up in advance of calls such capital shall not confer a right or participate in profits.

Declaration of Dividends

Article 120 provides that the Company in General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profit and may, subject to the provisions of Section 205 of the Act, fix the time for payment.

Restrictions of amount of dividends

Article 121 provides that no larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend.

Dividend out of profit only

Article 122 provides that no dividend shall be payable except out of the profits of the Company of the year or any other undistributed profits and no dividend shall carry interest as against the Company.

What to be deemed net profits

Article 123 provides that the declaration of the Directors as to the amount of the net profit in the audited annual accounts of the Company for any year shall be conclusive.

Interim Dividends

Article 124 provides that the Directors may, from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies.

Debts may be deducted

Article 125 provides that the Directors may retain any dividends on which the company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exist, subject to Section 205A of the Act.

Article 126 provides that a transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.

Retention in certain cases

Article 127 provides that subject to Section 205A of the Act, the Directors may retain the Dividends payable upon shares in respect of which any person is under the transmission Article entitled to become a member or which any person under the Article is entitled to transfer until such person shall duly become a member in respect thereof or shall transfer the same.

Dividend to Joint-Holders

Article 128 provides that any one of the several persons who are registered as joint-holders of any share may give effectual receipts of all dividends payments on account of dividends in respect of such shares.

Payment by post

Article 129 provides that unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post at the registered address of the member or person entitled thereto, or in the case of joint-holders to the registered address of that one whose name stands first on the Register in respect of the joint holding or to such person and such address and the member or person entitled or such joint holders as the case may be, may direct and every cheque or warrant so sent shall be made payable at par to the person or to the other of the person to whom it is sent or to the order of such other person as the member or person entitled or such joint-holder as the case may be direct.

When payments good discharge

Article 130 provides that the payment of every cheque or warrant sent under the provisions of the last preceding Article shall, if such cheque or warrant purports to be duly endorsed, be a good discharge to the Company in respect thereof, provided nevertheless that the Company shall not be responsible for the loss of any cheque, dividend, warrant or postal money order which shall be sent by post to any member or by his order to any other person in respect of any dividend.

Article 131 provides that any dividend remaining unpaid or unclaimed after having been declared shall be dealt in accordance with Section 205 A and 205 B of the Companies Act, 1956 and rules made thereunder.

Article 132 provides that no unclaimed or unpaid dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205A of the Companies Act, 1956 and rules made thereunder in respect of such dividend.

CAPITALISATION

Article 59 provides that any General Meeting may resolve that the whole or any part of the undivided profits of the Company (which expression shall include any premium received on the issue of shares and any profit or other sums which have been set aside as a reserve or reserves or have been carried forward without being divided) be capitalized and distributed amongst such of the members as would be entitled to receive the same, if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized amount be applied on behalf of such members in paying up in full any un-issued shares of the Company which shall be distributed accordingly in or towards payment of the un-called liability on any issued shares and that such distribution or payment shall be accepted by such member in full satisfaction of their interest in the said capitalised amount. Provided that any sum standing to the credit of a share premium account or a capital redemption reserve account may, for the purpose 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-up bonus shares.

INSPECTION OF REGISTERS

Article 134 provides that the Directors shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the accounts or books or documents of the Company or any of them shall be open for inspection to members not being Directors and no member (not being a Director) shall have any right of inspection to any books of account or documents of the Company except as conferred by law or authorised by the Board of Directors or by the Company in General Meeting. Balance Sheet and Profit & Loss Account Article 135 provides that the Balance Sheet and Profit & Loss Account will be audited once in a year by a qualified auditor for correctness as per provisions of the Act.

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NOTICE AND DOCUMENT

Article 139 provides that the Company shall comply with the provisions of Sections 53, 172 and 190 of the Act as to the serving of notices

WINDING UP

Distribution of Assets

Article 145 provides that if the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid-up at the commencement of the winding up on the shares held by them respectively. And if in winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the paid up capital at the commencement of the winding up paid up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

Distribution of Assets in specie

Article 146 provides that in the event of Company being wound up, whether voluntarily or otherwise, the liquidators, may with the sanction of Special Resolution, divide among the contributories, in specie or kind, any part of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories of any or them as the Liquidators, with like sanction shall think fit.

SECRECY CLAUSE

Article 144 provides that no shareholder to enter the premises of the Company without permission Subject to the provisions of law of the land and the Act, no member or other person (not being a Director) shall be entitled to enter upon the property of the Company or to inspect or examine the Company's premises or properties of the Company without the permission of the Directors, or subjected to Article 133 to require discovery or any information in respect of any detail of the Company's tradition or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which, in the opinion of the Directors, will be inexpedient in the interest of the members of the Company to communicate.

INDEMNITY

Article 147 provides that subject to the provisions of Section 201 of the Act, every Director, Manager, Secretary and other officer or employee of the Company shall be indemnified against and it shall be the duty of the Directors to pay out of the funds of the Company all bona fide costs, losses and expenses (including traveling expenses) which any such Directors, Manager or Secretary or other officer or employee may incur or become liable to by reason of any contract entered into or any way in the discharge of his or their duties and in particular, and so as not to as limit the generality of the foregoing provisions, against all bona fide liabilities incurred by him or by them as such Director, Manager , Secretary, Officer or Employee in defending any proceeding whether civil or criminal in which judgment is given in his or their favour or he or they is or are acquitted, or in connection with any application under Section 633 of the Act in which relief is granted by the Court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the members over all other claims.

PART II
SECTION A

Article 189: Overriding Effect, Inter-se relation and Interpretation:

Subject to the requirements of applicable law(s), as amended from time to time, in the event of any conflict between the provisions of Part I and the following Part II, the provisions of this Part II shall apply.

Unless the context otherwise requires, words or expressions contained in this Part II shall have the meanings as provided below. Provided that any terms and expressions used but not defined specifically in this Part II shall have the same meaning as ascribed to them in Part I or in the Act or shall have the meaning given to them in the film trade and film industry.

Any reference to a statutory provision shall be deemed to include a reference to any statutory modification or re-enactment. Other terms may be defined elsewhere in the text of these Articles and unless otherwise indicated, shall have such meaning throughout these Articles. Words importing the singular include the plural and vice versa.

Article 190: Definitions:

"Accounting Principles" shall mean the generally accepted accounting principles applied on a consistent basis in the Country;

"Affiliate" means in relation to any party any entity Controlled, directly or indirectly by that Party, any entity that Controls, directly or indirectly that Party, or any entity under common Control with that Party and, in case of a natural Person, any Relative of such Person.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are generally open for normal business in Mumbai, India.

"Charter Documents" shall mean the Memorandum of Association and the Articles of Association of the Company;

"Claims" shall mean any claim, demand, action, cause of action, damage, loss, cost, liability or expense, including, without limitation, reasonable professional fees and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing;

"Copyrights" shall mean all registered copyrights of the Company in both published and unpublished works, including without limitation all compilations, databases and computer programs, and all copyright registrations and applications, and all derivatives, translations, adaptations and combinations of the above;

"Constitutional Documents" means the Memorandum of Association and Articles of the Company.

"Control" or "Controlled" means the power to direct the management and policies of an entity whether through the ownership of voting capital, by contract or otherwise.

"Debt" shall mean the aggregate of all present and future obligations (whether actual or contingent) of the Company to pay or repay money including, without limitation:

- (i) amounts raised under any transaction having the financial effect of borrowing under the Accounting Principles including, without limitation, under leases or similar arrangements entered into primarily as a means of financing the acquisition of the asset leased, and any credit to the Company from a supplier of goods or services howsoever evidenced;

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- (ii) the aggregate amount then outstanding of all liabilities of any person to the extent the Company guarantees them or otherwise directly or indirectly obligates itself to pay them;
- (iii) all actual or contingent liabilities of the Company under any conditional sale or a transfer with recourse or obligation to repurchase; and
- (iv) all actual or contingent liabilities of the Company howsoever arising to redeem any of its shares;

"Directors" means the directors on the Board.

"Event of Suspension" shall mean any of the events provided for in the agreement with Adlabs;

"Financial Year" means the financial year of the Company, being the period commencing 1st April of each year to 31st March of the following year or such other period as the Board may decide from time to time in accordance with the provisions of this Agreement.

"Governmental Authority" means within the Country, any legislative body, government authority, regulatory authority, government department, agency, commission, board, tribunal or court or other law, rule or regulation-making entity having or purporting to have jurisdiction on behalf of any nation, or state or other subdivision thereof or any municipality, district or other subdivision thereof;

"Intellectual Property Assets" shall mean collectively, the Products, the Patents, the Marks, the Copyrights and the Other Intangibles owned or used by the Company in the conduct of its business;

"Laws" shall mean all laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, policies, notices, directions and judgements or other requirements of any Governmental Authority applicable to the Parties;

"Marks" shall mean the name "Adlabs", all trade names, trade dress, logos, packaging designs, slogans, Internet domain names, registered and unregistered trademarks and service marks and applications used by Adlabs in the conduct of its business;

"Material Adverse Change" means any change or event, which may cause a material adverse change to the financial condition or the business or the prospects of the Company or its ability to perform its obligation under this Agreement;

"Namit Malhotra" and the expression "NM" shall mean and include his legal representatives and permitted assigns;

"Net Worth" shall mean the Total Assets minus Total Liabilities;

"Nondisclosure Contracts" means all nondisclosure and/or confidentiality agreements entered into between the Company and persons in connection with disclosures by the Company relating to Products and Intellectual Property Assets;

"Operating Budget" means, in relation to a Financial Year of the Company, the projected consolidated balance sheet, profit and loss account and cash flow statement in relation to the Company, together with the statement of projected capital expenditure in relation to the Company, for that Financial Year.

"Other Intangibles" means all customer lists, telephone numbers, business strategies, outside analyst's plans and reports, outlooks, forecasts and other similar documents;

"Patents" means all patents, patent applications, patent rights, and inventions and discoveries and invention disclosures (whether or not patented) owned or used by the Company in the conduct of its business;

"Products" means the various business offerings provided, marketed and distributed by the Company, whether in the field of film pre-production, production, post-production, or otherwise in relation to the film industry;

"Reorganisation" means every issue by way of capitalization of profits or reserves and every issue by way of rights and every consolidation or sub-division or reduction of capital or capital distribution or other reconstruction or adjustment relating to the equity Share capital of the Company and any amalgamation or reconstruction affecting the Equity Share capital of the Company.

"Rakesh Jhunjhunwala" and the expression "RJ" shall mean and include his legal representatives and permitted assigns;

"RJ's Consent" means the prior consent or approval of RJ given in writing and received by NM and the Company

"RJ's Director" means the Director nominated by RJ.

"Specified Matter" in the context of any action, decision or resolution by the Board or the Shareholders, means any of the matters listed in Schedule A hereto.

"Total Assets" means the aggregate of the Company's assets, calculated in accordance with Accounting Principles consistently applied, as shown in its financial statements;

"Total Liabilities" means the aggregate of all obligations (whether actual or contingent) of the Company, calculated in accordance with Accounting Principles consistently applied, as shown in its financial statements;

"Trade Secrets" shall mean all know-how, confidential or proprietary information, source codes used or developed by the Company including, without limitation, research in progress, algorithms, data, designs, processes, formulae, drawings, schematics, blueprints, flow charts, models, prototypes, techniques, all testing procedures and all testing results;

Article 191: Undertakings in relation to the Company:

1. Subsidiaries/Joint Ventures:

The Company has no Subsidiaries. The Company is not a partner, joint venture or otherwise a participant in any partnership, joint venture or other similar jointly owned business undertaking and the Company has no other significant investment interests in any business owned or controlled by any third party.

2. Undertaking:

The Company acknowledges that it has made the representations referred to in the respective agreement with Adlabs and that Adlabs has entered into the Agreement on the basis of, and in full reliance on, each of such representations. The Company warrants to Adlabs that each of such representations is true and correct in all material respects as of the date of the Agreement and that none of them omits any matter the omission of which makes any of such representations misleading. The Company knows of no information or fact which has or would reasonably be expected to have a Material Adverse Change on the business, prospects or condition (financial or otherwise) of the Company that has not been disclosed to Adlabs in writing.

Article 192: Nominee Director & Voting Rights of Adlabs:

1. Nominee Director.

During the currency of the Agreement with Adlabs, Adlabs shall have the right to appoint and remove from time to time one director on the Board of Directors of the Company. Such Director is hereinafter referred to as "Nominee Director". The person appointed /nominated as the Nominee Director shall be a Promoter Director of Adlabs. In a situation where the Promoter Director cannot continue to act as a Nominee Director due to a legal impossibility, he may appoint such other director from Adlabs.

1. The Nominee Director shall not be required to hold qualification shares and, if so permissible by Law, shall not be liable to retire by rotation.
2. The Nominee Director shall be entitled to all the rights and privileges of other directors including the sitting fees, expenses, commission and other remuneration as payable to the other directors. The Company shall bear all reasonable expenditure incurred by the Adlabs or the Nominee Director in connection with his appointment as director.
3. The Nominee Director shall be appointed a member of such committees of the board and/or the Company as Adlabs may specify.
4. The Nominee Director shall be entitled to receive all notices, agenda, etc. and to attend all general meetings and board meetings of the Company.
5. If at any time the Nominee Director is not able to attend a meeting of the board of the Company or any of its committees of which he is a member, the Adlabs may depute any authorised person as an observer to attend the meeting and the Company shall permit such observer to attend the meeting. The Company shall bear the expenses incurred by the Investor in this connection.
6. So long as Adlabs is entitled to appoint a Nominee Director under this Agreement, Adlabs shall have the right to appoint and remove from time to time an alternate director for the Nominee Director on the board of directors of the Company and the board of directors of the Company shall appoint such person nominated by Adlabs as the alternate director.
7. The said alternate director shall have the same entitlements as applicable to the Nominee Director.

2. Voting rights.

Notwithstanding anything else contained herein, so long as Adlabs holds atleast 25% of the Subscription Shares (adjusted proportionately for any bonus shares issued by the Company to Adlabs on the Subscription Shares), no resolution shall be passed or decision taken by the Board either at a meeting of the Board or on a circular resolution or otherwise in respect of any of the matters specified in Article 193 herein below unless an affirmative vote of the Nominee Director appointed by Adlabs is obtained or the prior written consent of Adlabs is obtained in order for it to be validly passed or taken.

Article 193: Matters requiring affirmative vote of Adlabs Nominee Director:

The Company shall ensure that none of the following matters shall be approved or effected without the affirmative vote of Adlabs Nominee Director.

1. To create any Lien, charge or other encumbrance over, or to sell, lease, Transfer, licence or in any way dispose of the New Equipment;
2. To dispose of or close the whole or any substantial part of any undertaking of the Company or make any material change in or extension of the business of the Company or diversify into any new area(s) of business;
3. To recommend, give or renew any guarantee, indemnity or security in respect of obligations of third parties, except in the ordinary course of business;
4. For taking any loans which require the approval of the Board (under the Act);
5. To change the Accounting Policy and/or Fiscal Year of the Company;
6. To approve or disapprove the transfer of any equity shares (in excess of 5% of the then fully paid-up equity share capital of the Company) except as permitted by this Agreement;
7. Any further issue of fresh equity shares by the Company ;
8. To delegate any of the powers of the Board to any person or committee;
9. To remit or give time for the repayment to any related entity (Promoter's Associates & Group Companies), of any Debt due to the Company (other than Debts incurred in the ordinary course of the Company's business);
10. To recommend any dividend or distribution of profits which in the aggregate (i.e. the total dividend pay-out by the Company) exceeds either of the following:
 - 25 % of the Company's net profits (after tax and depreciation) for the concerned accounting year or
 - 20 % of the paid-up Equity Share capital of the Company.
11. To change the profit-sharing or benefit plans as may be agreed with Adlabs;
12. To recommend amendments to the Memorandum or Articles of Association of the Company;
13. To change the name or the registered office of the Company.

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Article 194: Governing Law, Disputes & Notices:

1. Governing Law.

The Agreement entered into between Adlabs & the Company shall be governed by and construed in accordance with the laws of the Country.

2. Dispute Resolution.

- a. If any dispute arises between the Company & Adlabs during the subsistence or thereafter, in connection with the validity, interpretation, implementation or alleged material breach of any provision of the Agreement or regarding any question, including the question as to whether the termination of the Agreement by one Party hereto has been legitimate, the above parties shall endeavour to settle such dispute amicably. The attempt to bring about an amicable settlement is considered to have failed as soon as one of the Parties, after reasonable attempts which attempt shall continue for not less than 30 (Thirty) days, giving 15 (Fifteen) days notice thereof to the other Party in writing.
- b. In case of such failure the dispute shall be referred to a sole Arbitrator or in case of disagreement as to the appointment of the sole Arbitrator, to three (3) Arbitrators, of which Adlabs shall appoint one (1) Arbitrator, the Company and NM shall jointly appoint the second Arbitrator and the third Arbitrator shall be appointed by the two appointed Arbitrators. The Arbitration proceedings shall be governed by the provisions of the Arbitration and Conciliation Act, 1996.
- c. The Arbitration Proceedings shall be held in the English language in Mumbai.
- d. The Arbitrator's award shall be substantiated in writing. The arbitrators shall also decide on the costs of the arbitration proceedings.
- e. The Arbitrator's award shall be enforceable in any the court of law.
- f. The above provisions shall survive the termination of the Agreement for any reason whatsoever

Article 195: Expiry of the provisions of Section B

The provisions of this section shall expire and cease to have any effect:

- i. Upon termination of the Agreement by mutual written consent of Adlabs & the Company.
- ii. Upon termination of the Agreement by Adlabs, if any Event of Suspension as mentioned in the Agreement has occurred and is continuing, or is, in the reasonable opinion of Adlabs, imminent.

SECTION C

Article 196: Nominee Director of Rakesh Jhunjhunwala (RJ):

1. As long as RJ continues to hold Equity Shares of the Company, he shall have a right to nominate one Director as a non-whole-time Director of the Company.
2. RJ shall be entitled by notice in writing to the Company to remove or replace his nominee Director. Any such appointment or removal shall take effect from the date it is notified to the Company in writing.

Article 197: Board Meetings and proceedings:

1. 7 (seven) days' written notice shall be given to each of the Directors of all meetings of the Board, at the address notified from time to time by each Director to the Secretary. Each such notice shall contain, inter alia, an agenda specifying in reasonable detail the matters to be discussed at the relevant meeting, and shall be accompanied by all relevant papers/documents for discussion at such meeting and shall be sent by courier or by telefax or any other form of recorded delivery. A matter shall not be taken up at any Board meeting unless expressly specified in the agenda accompanying the notice or unless all the Directors present at a meeting agree otherwise. Any Director may require the Secretary to convene a Board Meeting.
2. The quorum for any Board Meetings shall be three Directors present at the commencement of, and throughout the meeting and one of whom must be the RJ Director. If no quorum is present, then the meeting shall be adjourned to the same day of the forthcoming week, at the same place and at the same time, when the Directors present shall constitute a quorum.
3. Notwithstanding anything to the contrary contained in the Agreement entered into with RJ, any action, decision or resolution regarding the Specified Matters appearing herein below in Article 198 shall be taken or passed by the Board, at Shareholders' meetings, by circular resolution and/or otherwise only after RJ's Consent has been obtained. The Secretary shall intimate in writing to both NM and RJ that it is proposed to approve any such action, resolution or decision regarding a Specified Matter(s) at any Board/ Shareholders meeting/ circular resolution and that RJ's Consent is required. If before the commencement of any such Board/ Shareholders meeting, if RJ's Consent is not received by the Secretary, no such matter shall be taken up for discussion or voted upon at such meeting. In case of any matter proposed to be passed by circular resolution, a copy of such consent shall be annexed to the resolution circulated to the Directors

Article 198: Specified Matters

1. Appointment or removal of the Chairman and managing director, managing director, manager (as defined by the Act), executive director or presidents of the Company;
2. Any material amendment to the Company's Constitutional Documents;
3. Any material change in the Company's Business (including any cessation of any kind of business);
4. Alteration of accounting reference period, material accounting policies or practices;
5. Any change (including, without limitation, any conversion, consolidation or sub-division) in the authorised or issued share capital of the Company;
6. Buy back or redemption of any Shares of the Company;

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7. Change of rights of any class or classes of Shares (directly or indirectly);
8. Granting or creation of any options or other rights to subscribe for Shares or to convert any instrument into Shares (except for the employee stock option scheme to be approved by the Board);
9. Listing/de-listing of the Equity Shares on or from any stock-exchanges;
10. Approving or entering into any merger or amalgamation or Reorganisation;
11. Sale, transfer, lease, license or disposal of all or a substantial part of its business, undertaking or assets whether by a single transaction or series of transactions, related or not (provided that this Clause shall not apply where the value of and consideration for the business, undertaking and/or assets being sold, transferred, leased, licensed or disposed of aggregates to less than US\$ 500,000/- in any period of 12 months);
12. Giving or issuing any loans, guarantees, letters of credit, indemnities or letters of comfort or security in respect of the obligations of any person other than the Company itself (other than in the ordinary course of business);
13. Commencement of any action to wind up or dissolution of the Company including passing of a resolution that the Company be liquidated;
14. Change of statutory Auditors;
15. Making of any allotment or issue of any security convertible into or carrying a right to subscribe or any other right to subscribe or acquire share capital of the Company (other than pursuant to this Agreement);
15. Approval, material modification and/or deviation of the Annual Operating Budget / Annual business plan.
16. Acquisition of Shares, debentures, warranties or bonds in any other company or entity, units of mutual funds or any other financial instrument;
17. Capital Expenditure exceeding Rs. 5 crores per annum;
18. Shareholders Agreement with any other entity, or any agreement by whatever name called which confers any special right upon any shareholder.

Article 199: Transfer Restrictions:

Transfer of Shares by RJ

- a. RJ shall ensure that RJ does not sell any of the Shares to any competitor of the Company in India or abroad. This provision shall be observed in letter and in spirit.
- b. Within 2 (two) Business Days from the receipt of the Transfer Notice, NM shall notify RJ that he either :
 - (i) has no objection to RJ disposing of the Transfer Shares; or
 - (ii) wishes to acquire the Transfer Shares at the price quoted by such counterparty.
- c. IF NM does not communicate within 2 Business Days, it shall be deemed to be a refusal. In the eventuality of NM accepting the offer, then NM & RJ shall complete the transaction within 7(seven) Business Days.

TAG ALONG rights of RJ

- a. In the event NM proposes to sell or otherwise transfer any or all of the Shares of the Company held by him directly or indirectly, NM shall have the obligation to ensure that the proposed purchaser offers to purchase all Shares of the Company held by RJ on terms and conditions no less favourable than the terms offered by the proposed purchaser to NM, including, but not limited to the price per share. RJ shall have the right but not the obligation to accept the said offer of the proposed purchaser.
- b. For the purpose of Clause (a) above, NM, if wishing to transfer his Shares shall by notice in writing ("Transfer Notice") to RJ notify RJ of the number of Shares proposed to be transferred by NM and the terms and conditions of the transfer, including price and the name and other necessary particulars of the Purchaser. Within 21 days of receipt of the Transfer Notice, RJ may agree to or refuse to transfer its Shares on the same terms and conditions (including the price) as NM have intimated in the Transfer Notice, and shall communicate the same to NM. Failure to communicate the same shall be deemed to be a refusal to transfer their Shares. Upon such refusal, NM shall be entitled to consummate the sale to the Third Party within a period of 60 days thereafter on the terms and conditions contained in the Transfer Notice. In the event of a failure to so consummate the sale within the stipulated 60 days period, the sale shall again be subject to the provisions of Clause (a) and this Clause (b).
- c. Clauses (a) and (b) shall apply, mutatis mutandis, in the event of a strategic (not financial) investor acquiring more than 26% of the paid-up Equity Share Capital of the Company by subscribing to the same.

Article 200: Arbitration

Arbitration

1. If any dispute, difference or claim arises (including purported termination) or a deadlock arising out of no decision being reached on any of the Specified Matters, the same shall be referred to the sole arbitration of Mr. Berjis Desai, Solicitor ("Arbitrator"). The arbitration shall be conducted in accordance with the Arbitration & Conciliation Act, 1996. The venue of the arbitration shall be at Mumbai.
2. The Company & RJ acknowledge that they are aware that the Arbitrator is a legal advisor to the Company as also to NM and RJ, he is also a Director of the Company, as also a shareholder. The Parties confirm and acknowledge that neither regards any of these factors as affecting the independence of the Arbitrator.
3. If for any reason the Arbitrator is unable or unwilling to act as such, the Parties shall agree upon any other person to be the sole Arbitrator, and failing which, the sole Arbitrator shall be appointed in accordance with the provisions of the Arbitration & Conciliation Act, 1996.
4. The Arbitrator shall have powers to issue interim awards, interim directions and interim orders as also award interest and costs.

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Article 201: Equitable Remedies:

1. The Parties to the various Shareholders Agreement acknowledge that in the event of a breach of the provisions of the Agreement, damages alone shall not be a sufficient remedy and, therefore, each Party shall be entitled to all equitable remedies, including injunctive reliefs and specific performance of the Agreement.
2. In the event of any conflict between the provisions of the Shareholders Agreement and the Articles the provisions of the Shareholders Agreement shall prevail and the Parties shall exercise their voting rights in order to effectuate and uphold the provisions of the Agreement.
3. No remedy conferred by any of the provisions of the Shareholders Agreement is intended to be exclusive of any other remedy which is otherwise available at law, in equity, by statute or otherwise, and each and every other remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity, by statute or otherwise. The election of any one or more of such remedies by any of the Parties shall not constitute a waiver by such Party of the right to pursue any other available remedy."

SECTION: X: OTHER INFORMATION

Material Contracts And Documents For Inspection

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this 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 RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company between 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid Closing Date/ Issue Closing Date.

Material Contracts

1. Engagement Letters dated April 2, 2005 executed with Centrum Capital Limited and dated April 15, 2005 executed with ICICI Securities Limited appointing them as BRLMs.
2. Memorandum of Understanding amongst our Company and the BRLMs dated January 9, 2006 alongwith Inter-Se Allocation of Responsibilities
3. Memorandum of Understanding executed by our Company and the Registrar to the Issue dated May 25, 2005
4. Escrow Agreement dated [•], 2005 among our Company, the BRLMs, Escrow Collection Bank(s) and the Registrar to the Issue.
5. Syndicate Agreement dated [•], 2005 among our Company, the BRLMs and the Syndicate Members.
6. Underwriting Agreement dated [•], 2005 among our Company, the BRLMs and the Syndicate Members.
7. Stabilisation Agreement dated January 6, 2006 among our Company, Mr. Naresh Malhotra and ICICI Securities Limited, Stabilising Agent.

Material Documents/Documents for Inspection

We were incorporated on June 24, 1997 as a Private Limited Company under Part IX of the Companies Act, 1956 and converted to a Public Limited Company vide fresh certificate of incorporation dated April 24, 2000 as 'Prime Focus Limited'

1. Certified true copies of the Memorandum and Articles of Association of our Company as amended from time to time.
2. Certificate of Incorporation of the Company dated June 24, 1997
3. Fresh Certificate of Incorporation of the Company consequent to the name change dated April 24, 2000
4. Resolution of the members of the Company passed at the Extra-Ordinary General Meeting held on April 30, 2005 approving appointment of Mr. Namit Malhotra as a Managing Director for a period of Five years with effect from April 1, 2005 and approving the remuneration payable to him, alongwith form 25C with ROC fee receipts.
5. Resolution of the members of the Company passed at the Extra-Ordinary General Meeting held on April 30, 2005 approving appointment of Mr. Naresh Malhotra as Chairman and whole time director of the Company and approving the remuneration payable to him, alongwith form 25C with RoC fee receipts.
6. Letter of appointment dated April 1, 2005 issued to Mr. Naresh Malhotra and Mr. Namit Malhotra
7. Share Subscription Agreement and Share Purchase Agreement dated March 18, 2004 between our Company and Adlabs Films Limited.

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8. Business Alliance Agreement dated March 18, 2005 and amendment thereof dated May 1, 2004 between our Company and Adlabs Films Limited.
9. Shareholders' Agreement dated May 18, 2004 between us, Mr. Namit Malhotra and Mr. Rakesh Jhunjunwala & Ms. Rekha Jhunjunwala.
10. Copy of Resolution of the Members of the Company passed at the General Meeting held on December 26, 2005 pursuant to Section 81 (1A) of the Companies Act.
11. Resolutions of the Board of Directors dated December 1, 2005 in relation to this Issue
12. Reports of the Statutory Auditors, M/s V. Shivkumar & Associates, Chartered Accountants, dated December 22, 2005 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
13. Letter dated December 22, 2005 from the Statutory Auditors of our Company M/s V. Shivkumar & Associates, Chartered Accountants confirming Tax Benefits as mentioned in this Draft Red Herring Prospectus.
14. Corporate Governance Certificate by the Statutory Auditors of the Company, M/s. V. Shivkumar & Associates, Chartered Accountants.
15. Copies of Annual Reports of our Company for the last five years.
16. Consents of the Auditors being M/s. V. Shivkumar & Associates, for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
17. General Power of Attorney executed by the Directors of our Company in favour of Mr. Namit Malhotra for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.
18. Resolution of the Meeting of the Board of Directors held on May 27 2005 for the formation of the Company's Audit Committee, Investors Grievances Committee and Remuneration Committee.
19. Resolution of the Meeting of the Board of Directors held on December 26, 2005 for appointment of Mr. Nishant Faida, Chief Financial Officer as Compliance Officer of the Company.
20. Consents of BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Company, Legal Counsel to the Issue, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
21. NOC for the issue from the Bankers to the Company viz. Shamrao Vithal Co-operative Bank Limited vide their letter dated January 3, 2005 for the issue.
22. Initial listing applications dated [•] 2005 and [•], 2005 filed with NSE and BSE.
23. In-principle listing approvals dated [•] 2005 and [•] 2005 from NSE and BSE, respectively.
24. NoC from previous Registrar and Transfer Agent, M/s. Mondkar Computers Private Limited.
25. Tripartite agreement between NSDL, our Company and the Registrar to the Issue dated February 10, 2004.
26. Tripartite agreement between CDSL, our Company and the Registrar to the Issue dated [•].
27. Due diligence certificate dated January 16, 2006 to SEBI from BRLM.
28. SEBI observation letter no. [•] dated [•], 2005 and our reply to the same dated [•].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

Declaration

We, the Directors of the Company, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the 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, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be.

Mr. Naresh Malhotra, Chairman*

Mr. Namit Malhotra, Managing Director

Mr. Varadarajan Ananthanarayan, Director*

Mr. Kodi Raghavan Srinivasan, Director*

Ms. Pooja Shetty, Director*

Mr. Rakesh Radheyshyam Jhunhunwalla, Director*

Mr. Somasekhar Sundaresan, Director*

Mr. Rivkaran Chadha, Director*

Mr. Nishant Fadia, Chief Financial Officer and Compliance Officer

**Through his/her Constituted Attorney Mr. Namit Malhotra*

Date: January 11, 2006

Place: Mumbai

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