

SCHEDULE II

INFORMATION MEMORANDUM

Matters to be specified in prospectus and reports to be set out therein [Sections 44(2)(a) and 56]

PART I

I. General information

(a) Name and address of registered office of the company:

M/S CITY ONLINE SERVICES LIMITED

Address:

701, 7th Floor, Aditya Trade,
Ameerpet, Hyderabad - 500038.
Ph.No:040-66416882/6646894
Fax : 040-66416890

(b)(i) Consent of the Central Government for the present issue and declaration of the Central Government about non-responsibility for financial soundness or correctness of statements. **The company is an existing listed company on Bangalore Stock Exchange Limited and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.**

(ii) Letter of intent/industrial licence and declaration of the Central Government about non-responsibility for financial soundness or correctness of statements. **The company is an existing listed company on Bangalore Stock Exchange Limited and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.**

(c) Names of regional stock exchange and other stock exchanges where application made for listing of present issue: **Not Applicable. However the company is already listed on Bangalore Stock Exchange Limited**

(d) Provisions of sub-section (1) of section 68A of the Companies Act, relating to punishment for fictitious applications. **The company is an existing listed company on Bangalore Stock Exchange Limited and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.**



CIN: L72200AP1999PLC032114

(e) Statement/declaration about refund of the issue if minimum subscription of 90% is not received within 90 days from closure of the issue. **The company is an existing listed company on Bangalore Stock Exchange Limited and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.**

(f) Declaration about the issue of allotment letters/refunds within a period of 10 weeks and interest in case of any delay in refund at the prescribed rate under section 73(2)/ (2A). **The company is an existing listed company on Bangalore Stock Exchange Limited and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.**

(g) Date of opening of the issue: **Not Applicable**

Date of closing of the issue: **Not Applicable**

Date of earliest closing of the issue: **Not Applicable**

(h) Name and address of auditors

M/s. Seshachalam & Co.
Chartered Accountants,
1-11-256, Street No.1, Wall Street Plaza,
6th Floor, ICICI Building (Begumpet Air Port),
Begumpet, Hyderabad-500 016.

(i) Name and address of trustee under debenture trust deed (in case of debenture issue): **Not Applicable**

(j) Whether rating from CRISIL or any rating agency has been obtained for the proposed debenture/preference shares issue: **Not Applicable**

If no rating has been obtained, this should be answered as "No".
If "Yes" the rating should be indicated.

(k) Underwriting of the issue: **Not Applicable**

(Names and addresses of the underwriters and the amount underwritten by them.) (Declaration by board of directors that the underwriters have sufficient resources to discharge their respective obligations.)

(l) I. a statement by the board of directors stating that - **Not Applicable**

(i) all monies received out of issue of shares or debentures to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73;

(ii) details of all monies utilised out of issue referred to in sub-item (i) shall be disclosed under an appropriate separate head in the Balance Sheet of the company indicating the purpose for which such monies had been utilised; and



(iii) details of all unutilised monies out of issue of shares or debentures, if any, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the Balance Sheet of the company indicating the form in which such unutilised monies have been invested.]

The company is an existing listed company on Bangalore Stock Exchange Limited and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.

II. Capital structure of the Company

(a) Authorised, issued, subscribed and paid-up capital.

SL No	Particulars	Remarks
1.	Authorized	77,00,000 Equity Shares of Rs. 10/- each
2.	Paid-up capital	51,64,700 Equity Shares of Rs. 10/- each fully paid

Top 10 shareholders as on 15.09.2014

S. No.	Name of the Shareholder	Number Of Shares	% Of Shares
1	Suryadevara Raghava Rao	634500	12.29
2	Preetha S Nair	250000	4.84
3	R.Krishna Mohan	245600	4.76
4	Chava Harinath	176750	3.04
5	Ch Sunitha	123000	2.38
6	K.Satyavathi	116000	2.25
7	Andran Fransis Fernandes	100000	1.94
8	Qasim Elyas Sakriwala	100000	1.94
9	Rama Mohana Rao Bandalamudi	100000	1.94
10	Geetika Sethi	100000	1.94

V. Raghava Rao



EVOLUTION OF EQUITY SHARE CAPITAL OF THE COMPANY:

Date of Allotment	No. of Equity Shares	Face value in Rs	Issue price per share in Rs.	Consideration	Cumulative no. of shares	Remarks
16.07.1999	30	10	10	Cash	30	Subscription to Memorandum
17.01.2000	400	10	10	Cash	430	Preferential allotment
31.03.2000	18,35,350	10	10	Cash	18,35,780	Preferential allotment
25.04.2000	100,000	10	10	Cash	19,35,780	Preferential allotment
29.04.2000	3,86,250	10	10	Cash	23,22,030	Preferential allotment
24.05.2000	3,50,000	10	10	Cash	26,72,030	Preferential allotment
30.05.2000	7,500	10	10	Cash	26,79,530	Preferential allotment
26.06.2000	20,000	10	10	Cash	26,99,530	Preferential allotment
20.07.2000	3,54,500	10	10	Cash	30,54,030	Preferential allotment
30.01.2001	2,95,000	10	10	Cash	33,49,030	Preferential allotment
30.09.2001	36,75,970	10	10	Cash	69,25,000	Initial Public offer
17.12.2003	26,65,300	10	N.A	N.A	42,59,700	Forfeiture
30.04.2007	8,45,000	10	7.50	Cash	51,04,700	Re-issue of forfeited shares
30.04.2009	60,000	10	7.50	Cash	51,64,700	Re-issue of forfeited shares

After following the due procedure, 26,65,300 equity shares were forfeited for nonpayment of call money and the Board in its meeting held on 30.04.2007 and 30.04.2009, re-issued 8,45,000 and 60,000 forfeited equity shares respectively.

(b) Size of present issue giving separately reservation for preferential allotment to promoters and others: **Not Applicable**

(c) Paid-up capital: 51,64,700 Equity Shares of Rs. 10/- each fully paid amounting to Rs.5,16,47,000. **The company does not have any outstanding convertible warrants or any other security.**

(i) after the present issue: **Not Applicable**

(ii) after conversion of debentures (if applicable): **Not Applicable**

III. Terms of the present issue

The company is an existing listed company on Bangalore Stock Exchange Limited and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.

(a) Terms of payments: **Not Applicable**

(b) Rights of the instrument holders: **Not Applicable**

(c) How to apply - availability of forms, prospectus and mode of payment: **Not Applicable**

(d) Any special tax benefits for company and its shareholders: **Not Applicable**

IV. Particulars of the issue

The company is an existing listed company on Bangalore Stock Exchange Limited and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.

(a) Objects: **Not Applicable**

(b) Project cost: **Not Applicable**

(c) Means of financing (including contribution of promoters): **Not Applicable**

V. Company, management and project

(a) History and main objects and present business of the company.

V. Raghav



Brief History of the Company:

M/s. City Online Services Limited, a listed company on Bangalore Stock Exchange since 2001 and initially listed on Hyderabad Stock Exchange (HSE was de-recognised by SEBI with effect from 2007) was incorporated on July 16, 1999 in the name and style as City Online Services Private Limited and was converted into public Limited Company on February 4, 2000.

City Online Services Limited was started with an objective of creating an independent versatile ISP in the state of Andhra Pradesh with Category-B In 2008, The Company started with an overall focus on providing Internet Access to dial up subscribers, providing leased lines, web designing and hosting.

At present the company is primarily engaged in offering high-speed digital dialup Internet connections. Apart from its dialup connections it is also offering other value added services like synchronized leased lines, web server designing, web server hosting and maintenance. The Company has a subscriber base of 2100 Internet users and listed at Bangalore Stock Exchange with the paid up capital of Rs. 5.16 Crores. The company's Registered office is at No.701, 7th Floor, Aditya Trade center, Ameerpet, Hyderabad- 500038.

COMPANY PROFILE

City Online Services Limited was established in 1999 and started its ISP operation in Hyderabad and Bangalore. We are a 'B' Class ISP licensed to operate ISP operations (with Internet Telephony) in the States of Andhra Pradesh and Karnataka. We have been adapting ourselves along with the changes in technical and regulatory environment of the internet industry. .

We are headquartered in Hyderabad. In the last Seven years City Online opened its Network and Marketing Offices in Bangalore, Vijayawada, Vizag and offering real time Data/Voice/Video Internet/Intranet Solutions through Wired and Wireless and also Data Center Solutions like Web Hosting, Co-Location of Servers and Video Streaming and Web Casting Services to Corporates, Media Companies, Hospitality Industry, Residential Apartments and Gated Communities.

Besides providing Internet/Intranet and Data Center Solutions, City Online is specialized in giving optimized custom WiFi solutions and Managed Services to Corporates, Hospitality Industry, Campuses etc.

City Online Network Centers and Data Center are connected with Three Tier-I International Gateways with BGP bandwidth routing in high end Cisco Routers.

City Online also provides SIP based Voice Over Internet Protocol(VOIP) solution to Call Centers, Corporates and Residential Apartments.

City Online has grown from basic Internet Service Provider to a total Network Solution Provider.

MAIN OBJECTS OF THE COMPANY:



1. To establish, set up, develop internet solutions and service providers including provision of services in the areas of web hosting, web-server locations, e-commerce, intranet, extranet, dial up services, leased line services, services through cable network, E-mail services, News services, Web services and any other solutions including setting up of Gateway Internet Access services.
2. To offer training and services in the areas of networking, E-commerce, intranet, medical Transcription, Legal Transcription and value added services like IP telephony, virtual-private-Network, voice mail as per Government policies and regulations.
3. To offer voice telephony services like cellular, wireless and cable networking and to offer consultancy services in the areas of internet, e-commerce, intranet, extranet by way of arrangement, franchise.
4. To manufacture, purchase and otherwise deal in all kinds of hardware and software and also to act as importers, exporters of all kinds of equipments, software to and form any part of the world in connection with the main objects of the company.

BUSINESS ACTIVITY

City Online Services Limited provides services in the areas of web hosting, web server locations, e-commerce, dial up services, leased line services and offers training and services in the areas of networking, E-commerce, medical Transcription, Legal Transcription and value added services like IP telephony, virtual-private-Network, voice mail as per Government regulations. It also offers voice telephony services like cellular, wireless and cable networking and consultancy services in the areas of internet, e-commerce, intranet, extranet by way of arrangement, franchise.

City Online Services Limited offers ISP services, which includes:

- Dial-up Subscribers
- Leased Lines
- Web Designing and Hosting

(b) Subsidiary (ies) of the company, if any:

List of Subsidiaries

Name of Company	Status	Listed on Stock Exchange	Share Price
NA	NA	NA	NA



There are no erstwhile or present promoter group companies which are listed or were listed on any Exchange.

(c and d) DETAILS OF CORE PROMOTERS & DIRECTORS

1. S. Raghava Rao: Promoter and Chairman & Managing Director

He is the Chairman and Managing Director in City Online Services Ltd Since year 1999. He is an Electronic and Communications engineer graduated from Manipal Institute of Technology with Television as optional subject. He is fundamentally strong in the field of networking, television, wired, and wireless communication like gepon, wlan etc. implemented several open source Linux projects successfully in City online. As a hobbyist he has successfully designed terrestrial television reception antenna which is array of 24 ft long consisting of several reflectors. The antenna was able to receive the reception from TV tower in Hyderabad at his residence in Guntur during initial color television transmission of Asian games in 1982. During initial phases of satellite dish antenna in select communications Hyderabad. He has designed and successfully implemented the DVB carrier services over IP for several broadcasters and IPTV operators. Designed and implemented total digital television head end using turnaround of pass through technology using only demodulation modulation. The system is power efficient and compact. He has successfully designed and manufactured modular 24 RF demodular using linux as operating system. 48 and 64 port RF demodulator is under development and expected to complete in one or digitization phase of the television industry in India. He has trained most of the technical staff in City Online Services Limited and helped the company to compete and survive in the most demanding field of ISP operations. And for the last one year he has trained the staff in the field of digital television.

2. Ch. Harinath: Promoter and Director

Ch. Harinath is the Director in City Online Services Ltd since 1999 inception of the company. Started the company as one of the core promoter and board member. Under the current role of the company looks after the growth and long-term strategies of the company and also looks after the Marketing and Purchase departments.

Joined as Engineer trainee in Mahindra & Mahindra in 1985 and elevated to Assistant Manager. Worked for 8 years in Design and product development. Contributed for launch and development of new Models in Mahindra & Mahindra.

Resigned from the company in 1994 to start new venture on own.

From 1994 started Avanti components and Avanti Bufa Pvt Ltd and became an ancillary to Mahindra, MICO, Phillips and Godrez. In 1999 resigned as Director from Avanti Bufa Pvt Ltd to start City online services ltd.




Qualifications:

- BE Mechanical from Osmania University – 1981 -1985.
- Post Graduate Diploma in Computer Science from Institute of Public Enterprise from Osmania University.
- Post Graduate Diploma in International trade from Bhavans.

3. Krishna Mohan Ramineni: Director

Mr. Krishna Mohan Ramineni is an B.E (Mechanical) from Manipal Institute of technology , Manipal.

The Organizational Experience:

Since March 1985	Godavari Plywoods ltd	Maintenance Engineer
Since Oct 1986	Godavari Plywoods ltd	Factory manager
Since Jan 1988	Ciscons Constructions	Partner
Since march 1990	Reliance Nirman Company	Managing Partner
Since Jan 2001	City online Services Ltd	Director looking after administration, corporate affairs

Composition of the Board of Directors:

Name	Father's/ Spouse's Name	Designation in Board	Age, Nationality, Occupation	Residence Address	Other Directorships
Raghava Rao Suryadevara	Venkata Subba Rao Suryadewara	Chairman & Managing Director	55 Years Indian, Business	8-3-236, Fno. 103, Shilpa Manor, B/S Savera Function Hall, Yousufguda Main Road, Hyderabad, 500045	NIL
Chava Harinath	Gopalakrishna Chava	Promoter & Executive Director	49 Years Indian, Business	H. No: 8-3-167/D/35 And 36/301, Kalyannagar Phase 1, Hyderabad, 500038	1. Pranav Tower Fabrications (India) Private Limited

V. Ramineni



Krishna Mohan Ramineni	Venkateshwara Rao Ramineni	Director – Finance and Administration	55 Years, Indian, Business	302, Sde Sai Residency, Plot No. 88, Srinagar Colony, Hyderabad, 500073	1. Andhra Lakshmi Industrial Company Limited 2. Alliance Business School
Satyanarayana Vasireddy	Nagabasavaiah Vasi Reddy	Independent & Non-Executive Director	77 Years, Indian, Service	Flat No.201, Phase II, A.K.Enclave, Road No.3, Banjara Hills, Hyderabad, 500034	1. Oyster Mediasafe Private Limited
Nageswara Rao Mandavilli	Chinna Ramanna Mandavilli	Independent & Non-Executive Director	61 Years, Indian, Business	2-2-1123/9/G, 3rd Floor Siddardha Enclave Apts, New Nallakunta, Hyderabad, 500044	Nil
Nicodemus Pradhan Thomas	Epa Nicodemus	Independent & Non-Executive Director	64 Years, Indian, Business	206, Gagan Vihar, Beside Food World, Chaitanyapuri,, Dilshuknagar, Hyderabad, 500060	1. Synergy Multitech Limited 2. Synergy Netsoft Limited 3. Venturetech India Private Limited
K. Arun Prasad	K. Jagdish Prasad	Independent Director	24 years, Indian, Business	Plot No. 6, Road No. 72, Prashahar Nagar, Jubilee Hills, Hyderabad – 500 03	NIL

(e) Location of Development centre: **Not applicable**

(f) Plant and machinery, technology, process, etc: **Not Applicable**

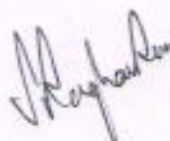
(g) Collaboration, any performance guarantee or assistance in marketing by the collaborators: **Not Applicable**

(h) Infrastructure facilities and utilities like water, electricity, etc.

Facilities:

The Company has the strength and experience with the state of art software technologies.

- Facilities include 24 hours power supply with requisite genset back up.
- Abundant water facility for human consumption as it is not a manufacturing unit.
- Requisite storage facilities.




- Centralized air conditioning system to maintain the stable atmospheric conditions.

(i) Schedule of implementation of the project and progress made so far, giving details of land acquisition, civil works. Installation of plant and machinery, trial production, date of commercial production, etc: **Not Applicable**

(j) The products:

COL provides

- Internet band width through Leased Lines, Point-to-Point and Point-to- Multipoint RF links Designing
- Digital Headend setups for Cable TV distributors, MSO (Master Signal Operators) and DVB Carrier Services for TV channels.
- Digital TV Services for LCOs, MSOs and Customers for DAS licensed areas.

(i) Nature of the product(s) - consumer /industrial and end-users:

Products are at reach to all types of customers such as consumer/industrial and end-users.

(ii) Approach to marketing and proposed marketing set up: The Company has got its own marketing team for selling products of the company.

(iii) Export possibilities and export obligations, if any (in case of a company providing any "service" particulars, as applicable, be furnished): **Not applicable.**

(k) Future prospects - expected capacity utilization during the first three years from the date of commencement of production, and the expected year when the company would be able to earn cash profits and net profits. Stock market data for shares/debentures of the company (high/low price) in each of the last three years and monthly high/low during the last six months (where applicable) : **Not Applicable**

VI. Following particulars in regard to the company and other listed companies under the same management within the meaning of section 370(1B), which made any capital issue during the last three years: The Company do not have any companies which falls under the meaning of section 370(1B) of the Companies Act, 1956.

Name of the company: **Not Applicable**

Year of issue: **Not Applicable**

Type of issue: **Not Applicable**

(Public/rights/composite)

Amount of issue: **Not Applicable**

Date of closure of issue: **Not Applicable**

Date of completion of delivery of share/debenture certificates: **Not Applicable**



Date of completion of the project, where object of the issue was financing of a project Not Applicable

Rate of dividend paid: The Company has not paid any dividend.

	EQUITY			PREFERENCE		
	Rate Per cent	Amt Per Share	Total Amt	Rate Per cent	Amt per Share	Total Amt
Records of Dividends and Cash Bonus (if any) for the last ten years						
(a) 2012-13 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(b) 2011-12 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(c) 2010-11 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(d) 2009-10 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(e) 2008-09 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(f) 2007-08 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(g) 2006-07 Interim	NA	NA	NA	NA	NA	NA

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Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(h) 2005-06 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(i) 2004-05 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA
(j) 2003-04 Interim	NA	NA	NA	NA	NA	NA
Final	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA

VII. Litigations:

(a) Outstanding litigation pertaining to-

(i) matters likely to affect operation and finances of the company including disputed tax liabilities of any nature: **Not Applicable**

(ii) criminal prosecution launched against the company and the directors for alleged offences under the enactments specified in paragraph 1 of Part I of Schedule XIII to the Companies Act, 1956. **There are no criminal proceedings launched against the company or its Directors.**

(b) Particulars of default, if any, in meeting statutory dues, institutional dues, and towards instrument holders like debentures, fixed deposits, and arrears on cumulative preference shares, etc. (also give the same particulars about the companies promoted by the same private promoters and listed on stock exchanges): **Not Applicable** as there is no default in meeting statutory dues, institutional dues. The company do not have any instrument holders like debentures, fixed deposits, cumulative preference shares, etc.

(c) Any material development after the date of the latest balance sheet and its impact on performance and prospects of the company. **Not Applicable**

VIII. Risk Factors and Management's perception thereof:

1. The company has made a SWOT analysis of its operation vis-à-vis that of the industry in which the company is exposed to certain threats and weakness.

A. Acharya



Management Perception: The threats and weakness are of a general nature to any software company of same level. The promoters have sufficient experience and strength to overcome them effectively.

2. The Software industry is prone to high risk of technological obsolescence.

Management Perception: The Company will set off the technological obsolescence with continuous updating of technical skills. Apart from this the company is operating in revenue generation areas. The requirement of these services is expected to continue in the near future.

3. Any adverse changes in the Government policies with respect to the software industry may affect the performance and profitability of the company.

Management Perception: Government of India has identified the software industry as thrust area and incentives are provided to encourage the industry. Hence, the company does not foresee any adverse policy changes that could be detrimental to the growth of this sector.

4. The Software industry is characterized by high employee turnover.

Management Perception: The Company provides and continually strive to provide (i) a conducive work environment; (ii) competitive compensation and other benefits package design to attract and retain talented personnel consistent with its requirement.

5. The software industry is highly competitive and the company faces competition from domestic as well as overseas companies.

Management Perception: The company will seek to constantly differentiate the range and quality of its services in contrast to that of its competitors and also strive to build long term relationships with its customers to ensure a more continuous revenue stream.

PART II

A. General information

1. Consent of directors, auditors, solicitors/ advocates, managers to the issue, Registrar of issue, bankers to the company, bankers to the issue and experts: **Not Applicable since the company is an existing listed company on Bangalore Stock Exchange and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.**

2. Expert opinion obtained, if any: **Not Applicable since the company is an existing listed company on Bangalore Stock Exchange and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.**

3. Change, if any, in directors and auditors during the last three years, and reasons thereof. **Not Applicable**



There are certain changes in the Board of Directors the details of the same are furnished hereunder:

Sl. No.	Name	Date of Appointment	Remarks
1.	Mr. K. Arun Prasad	14.08.2013	Appointed as Independent Director

4. Authority for the issue and details of resolution passed for the issue. **Not Applicable.** The company is an existing listed company on Bangalore Stock Exchange and with that status the application is filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.

5. Procedure and time schedule for allotment and issue of certificates. **Not Applicable.** The company is an existing listed company on Bangalore Stock Exchange and with that status the application is filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.

6. Names and addresses of the company secretary

COMPANY SECRETARY

Sl No	Name of the Company Secretary and Compliance Officer	Other Details
1	Ms. Sampada Keshav Joshi	Company Secretary Tel No: 040-66416882 rkmoan@cityonlines.com

7. Names and addresses of the company secretary, legal adviser, lead managers, co-managers, auditors, bankers to the company, bankers to the issue and brokers to the issue: **Not Applicable** since the company is an existing listed company on Bangalore Stock Exchange and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.

STATUTORY AUDITORS

M/s. Seshachalam & Co.
Chartered Accountants,
1-11-256, Street No.1, Wall Street Plaza,
6th Floor, ICICI Building (Begumpet Air Port),
Begumpet, Hyderabad-500 016.

BANKERS

1. Oriental Bank of Commerce (Mehdipatnam, Ameerpet, Bangalore, Vijaywada, Kakinada)
2. State Bank of India (Vijaywada)
3. ICICI Bank (Hyderabad)



B. Financial information Reports to be set out

1. A report by the auditors of the company with respect to-

(a) profits & losses and assets & liabilities, in accordance with sub-clause (2) or (3) of this clause, as the case may require; Financials for the last five years is given below:

(b) the rates of the dividends, if any, paid by the company in respect of each class of shares in the company for each of the five financial years immediately preceding the issue of the prospectus, giving particulars of each class of shares on which such dividends have been paid and particulars of the cases in which no dividends have been paid in respect of any class of shares for any of those years, and, if no accounts have been made up in respect of any part of the period of five years ending on a date of three months before the issue of the prospectus, containing a statement of that fact (and accompanied by a statement of the accounts of the company in respect of that part of the said period up to a date not earlier than six months of the date of issue of prospectus indicating the profit or loss for that period and the assets and liabilities position as at the end of that period together with a certificate from the auditors that such accounts have been examined and found correct by them. The said statement may indicate the nature of provision or adjustments made or are yet to be made); **Not Applicable**

2. If the company has no subsidiaries, the report shall-

(a) so far as regards profits and losses, deal with the profits or losses of the company (distinguishing items of a non-recurring nature) for each of the five financial years immediately preceding the issue of the prospectus; and : **Financials for the last five years is given below:**

(b) so far as regards assets and liabilities, deal with the assets and liabilities of the company at the last date to which the accounts of the company were made up: **Not Applicable**

3. If the company has subsidiaries the report shall-

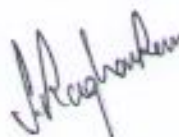
(a) so far as regards profits and losses, deal separately with the company's profits or losses as provided by sub-clause (2) and in addition deal-

(i) as a whole with the combined profits or losses of its subsidiaries so far as they concern members of the company; or : **Not Applicable**

(ii) individually with the profits or losses of each subsidiary, so far as they concern members of the company; or; instead of dealing separately with the company's profits or losses deal as a whole with the profits or losses of the company, and, so far as they concern members of the company, with the combined profits or losses of its subsidiaries; and: **Not Applicable**

(b) so far as regards assets and liabilities, deal separately with the company's assets and liabilities as provided by sub-clause (2) and in addition, deal either:-

(i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the company's assets and liabilities, or : **Not Applicable**



(ii) Individually with the assets and liabilities of each subsidiary; and shall indicate as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than members of the company: **Not Applicable**

Financials for the last five years:

Balance Sheet:

(In Rs.)

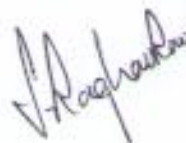
Particulars	As on March 31,				
	2014	2013	2012	2011	2010
I. Equity and liabilities					
(1) Shareholders' funds					
(a) Share capital	5,60,98,330	5,60,98,330	5,60,98,330	5,60,98,330	5,60,98,330
(b) Reserves and surplus	(66,30,256)	(1,47,79,759)	(1,86,13,658)	(20,65,01,49)	(22,05,32,31)
(2) Non-current liabilities					
(a) Long term borrowings	6,10,284	7,29,879	1,496	64,70,525	60,66,845
(b) Long term provisions	6,66,000	5,30,000	5,63,261	2,29,412	2,65,786
(3) Current liabilities					
(a) Short term borrowings	81,84,719	78,08,804	72,34,023	-	-
(b) Trade payables	1,63,04,714	1,02,56,921	59,76,728	-	-
(c) Other current liabilities	1,07,39,073	1,50,11,036	81,48,465	1,13,21,664	96,07,553
	8,59,92,863	7,56,55,213	5,94,08,646	5,34,69,782	4,99,85,283
II. Assets					
(1) Non-current assets					
(a) Fixed Assets					
(i) Tangible assets	3,06,93,759	3,25,00,725	2,88,78,548	31,19,76,45	29,61,14,91
(b) Non-current investments	50,000	50,000	-	-	-
(c) Deferred Tax assets	3,23,444	1,93,145	-	-	-
(d) Long terms loans and advances	28,59,879	24,92,017	27,73,672	-	-
(2) Current assets					
(a) Inventories	79,63,927	46,95,174	50,74,311	30,66,028	30,68,617
(b) Trade receivables	2,50,71,635	2,09,15,380	1,11,09,875	92,99,412	1,01,18,761
(c) Cash and bank balances	1,47,27,479	70,01,725	40,83,873	11,75,557	6,72,094
(d) Short-term loans and advances	41,99,000	77,30,336	74,36,703	87,12,270	64,98,269
(e) Other current assets	1,03,741	76,711	51,664	18,870	16,031
	8,59,92,863	7,56,55,213	5,94,08,646	5,34,69,782	4,99,85,283

M. Reddy



Profit & Loss Account:
(In Rs.)

Particulars	As on March 31,				
	2014	2013	2012	2011	2010
Revenue from operations	12,49,70,759	8,29,77,246	5,44,67,583	4,60,05,770	3,63,86,301
Other income	14,07,767	2,88,641	14,33,769	7,85,579	1,21,900
Total revenue	12,63,78,526	8,32,65,887	5,59,01,352	4,67,91,349	3,65,08,201
Expenses					
Operating expenses	8,39,52,773	4,79,97,068	3,05,49,289	2,31,85,783	2,07,29,032
Employee benefits expenses	1,10,86,013	1,24,86,364	84,76,614	77,71,443	64,58,752
Finance cost	12,43,256	12,26,017	10,31,227	9,54,890	7,06,150
Depreciation	34,09,074	30,01,935	26,53,449	24,55,663	23,63,703
Other expenses	1,86,68,248	1,50,37,289	1,12,60,150	1,10,56,862	1,17,93,865
Total expenses	11,83,59,324	7,97,48,673	5,39,70,730	4,54,24,641	4,20,51,502
Prior period income	-	-	-	-	23,72,082
Profit before tax	80,19,202	35,17,214	19,30,622	13,66,708	(31,71,219)
Tax expense					
- Current tax	-	-	-	-	-
- Deferred tax	1,30,301	3,16,685	1,05,869	36,374	-
Profit after tax	81,49,503	38,33,899	20,36,491	14,03,082	(31,71,219)
EPS					
Basic and diluted	1.58	0.74	0.39	0.27	(0.62)




Cash Flow Statement:

(in Rs.)

Particulars	As on March 31,				
	2014	2013	2012	2011	2010
A. Cash flow from operating activities					
Profit before tax	80,19,202	35,17,214	19,30,622	14,03,082	31,71,219
Adjustment for					
Interest expense	9,34,996	8,52,591	31,233	9,54,890	7,06,150
Interest income	(1,82,143)	(27,630)	-	-	-
Profit on sale of asset	(3,054)	-	-	-	-
Depreciation	34,09,074	30,01,935	26,53,449	24,55,663	23,63,703
Bad debts written off	-	-	9,46,753	14,35,543	22,23,091
Stock adjustment	-	-	-	-	7,14,500
Deferred Tax Asset	-	-	-	(36,374)	-
Operating loss before working capital changes	1,21,78,075	73,43,910	55,62,057	62,12,804	28,36,225
Changes in working capital:					
(Increase)/decrease in inventories	(32,68,753)	3,79,137	(20,08,283)	2,589	(2,08,613)
Increase in sundry debtors	(41,56,255)	(98,05,505)	(27,57,216)	(6,16,194)	(2,53,915)
Decrease/(increase) in loans and advances	35,31,336	(2,93,633)	(88,76,234)	(22,16,820)	18,92,860
(Increase) decrease in other current assets	-	-	75,28,667	-	-
Increase in current liabilities and provisions	20,85,553	1,06,39,731	34,63,160	17,14,111	(5,09,178)
Cash used in operating activities	1,03,69,956	82,63,640	29,12,352	50,96,490	37,57,179
Direct taxes (paid)/ refund	(3,67,862)	2,81,655	1,83,532	-	-
Net cash from Operating activities (A)	1,00,02,094	85,45,295	27,28,820	50,96,490	37,57,179
B. Cash Flow from investing activities					
Purchase of fixed assets	(16,35,054)	(66,24,116)	(3,85,349)	(40,41,817)	(20,61,074)
Purchase of investments	-	(50,000)	-	-	-
Proceeds from sale of fixed assets	35,999	-	51,000	-	-
Interest received	1,55,113	2,783	-	-	-
Net cash used in investing activities (B)	(14,43,942)	(66,71,333)	(3,34,349)	(40,41,817)	(20,61,074)
C. Cash Flow from financing activities					
Proceeds from short term borrowings	3,75,916	7,94,693	5,43,586	4,03,680	(9,98,513)
(Repayment)/proceeds from long term borrowings	2,73,319	11,01,787	1,496	-	-
Interest paid	(9,34,996)	(8,52,591)	(31,233)	(9,54,890)	(7,06,150)
Net cash (used in) from financing activities (C)	(8,32,399)	10,43,889	5,13,849	(5,51,210)	(17,04,663)
D. Net increase in cash and cash equivalents (A+B+C)	77,25,753	29,17,852	29,08,320	6,72,094	6,80,652
E. Cash and cash equivalents at the beginning of the year	70,01,725	40,83,873	11,75,557	5,03,463	(8,558)
at the end of the year	1,47,27,479	70,01,725	40,83,873	11,75,557	6,72,094

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SHAREHOLDING PATTERN FOR THE LAST FOUR QUARTERS:

Sl. No	Category	June 2014		March 2014		December 2013		September 2013	
		Shares	%	Shares	%	Shares	%	Shares	%
A1	Promoters								
	Indian promoters	888450	17.20	896450	17.36	876450	16.97	876450	16.97
	Foreign promoters	-	-	-	-	-	-	-	-
	PACs	-	-	-	-	-	-	-	-
	Sub-Total (A) (1)	888450	17.20	896450	17.36	876450	16.97	876450	16.97
B1	Non promoters								
	Institutions	200000	3.87	200000	3.87	200000	3.87	200000	3.87
B2	Non Institutions								
	Bodies corporate	262497	5.08	262497	5.08	262497	5.08	262497	5.08
	Indian public	3801253	73.60	3809253	73.44	3813253	73.83	3813253	73.83
	NRIs/OCB's	10000	0.19	10000	0.19	10000	0.19	10000	0.19
	Clearing members	2500	0.05	2500	0.05	2500	0.05	2500	0.05
	Sub Total B (1+2)	4276250	82.80	4268250	82.64	4288250	83.03	4288250	83.03
C	Total (A+B)	5164700	100	5164700	100	5164700	100	5164700	100

4. If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly-

(i) in the purchase of any business; or : **Not Applicable**

(ii) in the purchase of an interest in any business and by reason of that purchase, or anything to be done in consequence thereof, or in connection therewith; the company will become entitled to an interest as respects either the capital or profits and losses or both, in such business exceeding fifty per cent, thereof; a report made by accountants (who shall be named in the prospectus) upon-

(a) the profits or losses of the business for each of the five financial years immediately preceding the issue of the prospectus, and : **Not Applicable**

(b) the assets and liabilities of the business at the last date to which the accounts of the business were made up, being a date not more than one hundred and twenty days before the date of the issue of the prospectus: **Not Applicable**

5.

(1) If-(a) the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in any manner resulting in the acquisition by the company of shares in any other body corporate; and : **Not Applicable**

[Signature]



(b) by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body corporate will become a subsidiary of the company; a report made by accountants (who shall be named in the prospectus) upon: **Not Applicable**

- (i) the profits or losses of the other body corporate for each of the five financial years immediately preceding the issue of the prospectus; and : **Not Applicable**
- (ii) the assets and liabilities of the other body corporate at the last date to which its accounts were made up: **Not Applicable**

(2) The said report shall-

(a) indicate how the profits or losses of the other body corporate dealt with by the report would, in respect of the shares to be acquired, have concerned members of the company and what allowance would have fallen to be made, in relation to assets and liabilities so dealt with for holders of other shares, if the company had at all material times held the shares to be acquired; and : **Not Applicable**

(b) where the other body corporate as subsidiaries deal with the profits or losses and the assets and liabilities of the body corporate and its subsidiaries in the manner provided by sub-clause (2) above in relation to the company and its subsidiaries: **Not Applicable**

6.

Principal terms of loan and assets charged as security: **Not Applicable.**

	Bank	Loan amount	Terms of loan	Assets charged
	Nil	---	---	---

C. Statutory and other information

1. Minimum subscription: **Not Applicable**

2. Expenses of the issue giving separately fee payable to:

- (a) Advisers: **Not Applicable**
- (b) Registrars to the issue: **Not Applicable**

However the Company has RTA who is the common registry agent, Details of the RTA are:

M/s. XL Softech Systems Limited
3, Sagar Society, Road No.3,
Banjara Hills, Hyderabad – 500 034

- (c) Managers to the issue: **Not Applicable**
 - (d) Trustees for the debenture holders: **Not Applicable**
3. Underwriting commission and brokerage: **Not Applicable**



4. Previous issue for cash: **Not Applicable**

5. Previous public or rights issue, if any: (during last five years)

(a) Date of allotment: **Not Applicable**

Closing date: **Not Applicable**

Date of refunds: **Not Applicable**

Date of listing on the stock exchange: **Not Applicable**

(b) If the issue(s) at premium or discount and the amount thereof: **Not Applicable**

(c) The amount paid or payable by way of premium, if any, on each share which had been issued within the two years preceding the date of the prospectus or is to be issued, stating the dates or proposed dates of issue and, where some shares have been or are to be issued at a premium and other shares of the same class at a lower premium, or at par or at a discount, the reasons for the differentiation and how many premiums received have been or are to be disposed: **Not Applicable**

6. Commission or brokerage on previous issue: **Not Applicable**

7. Issue of shares otherwise than for cash: **Not Applicable**

8. Debentures and redeemable preference shares and other instruments issued by the company outstanding as on the date of prospectus and terms of issue: **Not Applicable**

9. Option to subscribe: **Not Applicable**

10. Purchase of property:-

(i) As respects any property to which this clause applies-

(a) the names, addresses, descriptions and occupations of the vendors: **Not Applicable**

(b) the amount paid or payable in cash, shares or debentures to the vendor and, where there is more than one separate vendor, or the company is a sub-purchaser, the amount so paid or payable to each vendor, specifying separately the amount, if any, paid or payable for goodwill: **Not Applicable**

(c) the nature of the title or interest in such property acquired or to be acquired by the company: **Not Applicable**

(d) short particulars of every transaction relating to the property completed within the two preceding years, in which any vendor of the property to the company or any person who is, or was at the time of the transaction, a promoter, or a director or proposed director of the company had any interest, direct or indirect, specifying the date of the transaction and the name of such promoter, director or proposed director and stating the amount payable by or to such vendor, promoter, director or proposed director in respect of the transaction: **Not Applicable**

(ii) The property to which sub-clause (i) applies is a property purchased or acquired by the company or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus or the purchase or



acquisition of which has not been completed at the date of issue of the prospectus, other than property: **Not Applicable**

(a) the contract for the purchase or acquisition whereof was entered into in the ordinary course of the company's business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract; or

(b) as respects which the amount of the purchase money is not material: **Not Applicable**

(iii) For the purpose of this clause, where a vendor is a firm, the members of the firm shall not be treated as separate vendors: **Not Applicable**

(iv) If the company proposes to acquire a business which has been carried on for less than three years, the length of time during which the business has been carried on: **Not Applicable**

11. (i) Details of directors, proposed directors, whole-time directors, their remuneration, appointment and remuneration of managing directors, interest of directors, their borrowing powers and qualification shares
: **Not Applicable**

Any amount or benefit paid or given within the two preceding years or intended to be paid or given to any promoter or officer and consideration for payment of giving of the benefit **Not Applicable**

(ii) The dates, parties to, and general nature of- : **Not Applicable**

(a) every contract appointing or fixing the remuneration of a managing director manager whenever entered into, that is to say, whether within or more than, two years before the date of the prospectus: **Not Applicable**

(b) every other material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the company or a contract entered into more than two years before the date of the prospectus: **Not Applicable**

A reasonable time and place at which any such contract or a copy thereof may be inspected.

(iii) Full particulars of the nature and extent of the interest, if any, of every director or promoter-

(a) in the promotion of the company; or : **Not Applicable**

(b) in any property acquired by the company within two years of the date of the prospectus or proposed to be acquired by it: **Not Applicable**

Where the interest of such a director or promoter consists in being a member of a firm or company, the nature and extent of the interest of the firm or company, with a statement of all sums paid or agreed to be paid to him or to the firm or company in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm or company, in connection with the promotion or formation of the company: **Not Applicable**



The company is an existing listed company on Bangalore Stock Exchange and with that status the application has been filed for direct listing with BSE and therefore the said provisions are not applicable which are otherwise applicable to IPO/FPO.

12. Rights of members regarding voting, dividend, lien on shares and the process for modification of such rights and forfeiture of shares: **Not Applicable**

13. Restrictions, if any, on transfer and transmission of shares/ debentures and on their consolidation/ splitting: **Not Applicable**

In case of equity shares having a par value of Rs. 10 per share, each Shareholder is eligible for one vote per share. The dividend proposed by the Board of Directors is subject to the approval of shareholders, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

14. Revaluation of assets, if any (during last five years): **Not Applicable**

15. Material contracts and inspection of documents, e.g.: **Not Applicable**

A. Material contracts. : **Not Applicable**

B. Documents: **Not Applicable**

C. Time and place at which the contracts together with documents will be available for inspection from the date of prospectus until the date of closing of the subscription list: **Not Applicable**

PART III

Provisions applying to Parts I and II of the Schedule: Not Applicable

16. Every person shall, for the purpose of this Schedule, be deemed to be a vendor who has entered into any contract, absolute or conditional, for the sale or purchase or for any option of purchase, of any property to be acquired by the company, in any case where-

(a) the purchase money is not fully paid at the date of the issue of the prospectus;

(b) the purchase money is to be paid or satisfied, wholly or in part, out of the proceeds of the issue offered for subscription by the prospectus;

(c) the contract depends for its validity or fulfilment on the result of that issue.

17. Where any property to be acquired by the company is to be taken on lease, this Schedule have effect as if the expression "vendor" included the lessor, the expression "purchase money" included the consideration for the lease, and the expression "sub-purchaser" included a sub-lessee.

18. If in the case of a company which has been carrying on business, or of a business which has been carried on for less than five financial years, the accounts of the company or business have only been made up in respect of four such years, three such years, two such years or one such year, Part



II of this Schedule shall have effect as if references to four financial years, three financial years, two financial years or one financial years, as the case may be, were substituted for references to five financial years.

19. Where the five financial years immediately preceding the issue of prospectus which are referred to in Part II of this Schedule or in this part cover a period of less than five years, references to the said five financial years in either Part shall have effect as if references to a number of financial years the aggregate period covered by which is not less than five years immediately preceding the issue of the prospectus were substituted for references to the five financial years aforesaid.

20. Any report required by Part II of this Schedule shall either -

(a) indicate by way of note any adjustments as respects the figures of any profits or losses or assets and liabilities dealt with by the report which appear to the persons making the report necessary; or

(b) make those adjustments and indicate that adjustments have been made .

21. Any report by accountants required by Part II of this Schedule -

(a) shall be made by accountants qualified under this Act for appointment as auditors of the company; and

(b) shall not be made by any accountant who is an officer or servant, or a partner or in the employment of an officer or servant, of the company or of the company's subsidiary or holding company or of a subsidiary of the company's holding company.

For the purposes of this clause, the expression "officer" shall include a proposed director but not an auditor.

22. Inspection of documents: Reasonable time and place at which copies of all balance sheets and profit and loss accounts, if any , on which the report of the auditors is based, and material contracts and other documents may be inspected.

Note: Term "year" wherever used herein earlier means financial year.

Declaration: That all the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government have been complied with and no statement made in prospectus is contrary to the provisions of Companies Act, 1956, and rules there under: Not Applicable

For City Online Services Limited

Place: Hyderabad
Date: 15.09.2014


S. Raghava Rao
Managing Director

