



**CHANNEL NINE ENTERTAINMENT LIMITED**  
(CIN: L92132DL2002PLC116330)

Our Company was originally incorporated in New Delhi as “Channel Nine Entertainment Limited” on 25th July, 2002 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies National Capital Territory of Delhi & Haryana. For further details, please refer to the section titled “Our History and Corporate Structure” beginning on page 68 of this Draft Letter of Offer.

Registered Office: 3/12, Ground Floor, Asaf Ali Road, New Delhi-110002;

Tel: 91-11-32315575, Fax: 91-11-32315575

E-Mail: [channelnineentertainment@yahoo.com](mailto:channelnineentertainment@yahoo.com); Website: [www.channelnineentertainment.com](http://www.channelnineentertainment.com)

Contact Person & Compliance Officer: Mr. Bhagat Singh, Company Secretary & Compliance Officer

PROMOTERS OF THE COMPANY: MR. GAJ RAJ SINGH & MRS. KIRTI

**ISSUE OF 77,63,200 EQUITY SHARES WITH A FACE VALUE OF RS. 10/- EACH (“RIGHTS EQUITY SHARES”) FOR CASH AT A PRICE OF RS. 10/- AGGREGATING TO RS 776.32 LACS TO THE EXISTING EQUITY SHAREHOLDERS OF OUR COMPANY ON RIGHTS BASIS IN THE RATIO OF ONE ( 1 ) RIGHTS EQUITY SHARE FOR EVERY TWO (2) EQUITY SHARES HELD BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE I.E. [●] (“ISSUE”). THE ISSUE PRICE FOR THE RIGHTS EQUITY SHARES IS ONE (1) TIME OR AT PAR OF THE FACE VALUE OF THE RIGHTS EQUITY SHARES.**

**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 our Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the BSE SME Platform nor BSE SME Platform guarantee the accuracy or adequacy of this Draft Letter of Offer. Specific attention of the investors is invited to the section titled “Risk Factors” beginning on page 8 of this Draft Letter of Offer.

**ISSUER’S ABSOLUTE RESPONSIBILITY**

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Letter of Offer 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 Letter of Offer as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The existing Equity Shares of our Company are listed on the SME Platform of BSE Limited (“BSE”). Our Company has received an “in-principle” approval from BSE for listing the Rights Equity Shares arising from this Issue vide letter dated [●]. For the purpose of this Issue, the designated Stock Exchange will be the BSE Limited (“BSE”).

**LEAD MANAGER**



**FIRST OVERSEAS CAPITAL LIMITED**

1-2 Bhupen Chambers  
Ground Floor, Dalal Street  
Mumbai-400-001  
Tel No. +91 22 4050 9999;  
Fax No. +91 22 4050 9900  
Email id: [rushabh@focl.in](mailto:rushabh@focl.in)  
Investor Grievance Email: [investorcomplaints@focl.in](mailto:investorcomplaints@focl.in)  
Website: [www.focl.in](http://www.focl.in)  
SEBI Registration No: INM000003671  
Contact person: Mr. Rushabh Shorff

**REGISTRAR TO THE ISSUE**



**BEETAL FINANCIAL & COMPUTER SERVICES PRIVATE LIMITED**

Beetal House, 99, Madangir,  
Behind Local Shopping Centre,  
28 Near Dada Harsukhdas Mandir, New Delhi - 110062  
Tel.: 011 - 29961281/82  
Fax No.: 011 - 29961284  
Email: [beetal@rediffmail.com](mailto:beetal@rediffmail.com)  
Website: [www.beetalfinancial.com](http://www.beetalfinancial.com)  
Contact Person : Mr. Punit Mittal  
SEBI Registration: INR000000262

**ISSUE PROGRAMME**

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
[●]	[●]	[●]

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## SECTION I: GENERAL

### DEFINITIONS AND ABBREVIATIONS

#### DEFINITIONS

TERMS	DESCRIPTION
"our Company", "the Company", "CNEL", "we", "us" or "the Issuer"	Channel Nine Entertainment Limited, a public limited company incorporated under the Companies Act, 1956

#### CONVENTIONAL/GENERAL TERMS

TERMS	DESCRIPTION
AOA/Articles/ Articles of Association	Articles of Association of Channel Nine Entertainment Limited
Board of Directors / Board/Director(s)	The Board of Directors of Channel Nine Entertainment Limited
BSE	BSE Limited (the designated stock exchange)
Companies Act	The Companies Act, 1956, as amended from time to time and Companies Act, 2013 to the extent applicable
Depositories Act	The Depositories Act, 1996 as amended from time to time
CIN	Company Identification Number
DIN	Directors Identification Number
Depositories	NSDL and CDSL
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time.
Director(s)	Director(s) of Channel Nine Entertainment Limited, unless otherwise specified
Equity Shares / Shares	Equity Shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof
EPS	Earnings Per Share
GIR Number	General Index Registry Number
Gol/ Government	Government of India
Statutory Auditor / Auditor	M/s Ranjan Gupta & Co., Chartered Accountants the statutory auditors of our Company.
Promoters	Promoters of the Company being Mr. Gaj Raj Singh & Mrs Kirti
Promoter Group Companies /Group Companies / Group Enterprises	Unless the context otherwise specifies, refers to those entities mentioned in the section titled "Our Promoter Group / Group Companies / Entities" on page 81 of this Draft Letter of Offer.
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
Key Managerial Personnel / Key Managerial Employees	The officers vested with executive powers and the officers at the level immediately below the Board of Directors as described in the section titled "Our Management" on page 70 of this Draft Letter of Offer.
MOA/ Memorandum/ Memorandum of Association	Memorandum of Association of Channel Nine Entertainment Limited
Non Resident	A person resident outside India, as defined under FEMA
Non-Resident Indian/ NRI	A person resident outside India, who is a citizen of India or a Person of Indian Origin as defined under FEMA Regulations
Overseas Corporate Body / OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.

TERMS	DESCRIPTION
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability 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
Registered office of our Company	3/12, Ground Floor, Asaf Ali Road, New Delhi-110002
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Regulation/ SEBI (ICDR) Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
SME Platform of BSE/Stock Exchange	The SME platform of BSE for listing of equity shares offered under Chapter X-B of the SEBI (ICDR) Regulations
SWOT	Analysis of strengths, weaknesses, opportunities and threats
RoC	Registrar of Companies, National Capital Territory of Delhi & Haryana

#### ISSUE RELATED TERMS

TERMS	DESCRIPTION
Abridged Letter of Offer	The abridged letter of offer to be sent to Eligible Equity Shareholders of our Company with respect to this Issue in accordance with SEBI (ICDR) Regulations, 2009
Allotment	Unless the context otherwise requires, the allotment of Rights Equity Shares pursuant to the Issue.
Allottee	An Investor to whom Rights Equity Shares are allotted.
Application	Unless the context otherwise requires, refers to an application for Allotment of the Rights Equity Shares in the Issue.
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) used by the Investors to make a Bid authorizing the SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Investor	An applicant who: (a) holds the Equity Shares of our Company in dematerialized form as on the record date and has applied for Entitlements and / or additional shares in dematerialized form; (b) has not renounced his / her Entitlements in full or in part; (c) is not a Renouncee; (d) is applying through a bank account maintained with SCSBs. All QIBs and other Investors whose application value exceeds Rs.2 lacs complying with the above conditions has to participate in this Issue through the ASBA process only
Bankers to the Issue	HDFC Bank Limited, I Think Techno Campus, Level 0-3, Next to Kanjur Marg Railway Station, Kanjur Marg (E), Mumbai - 400 042
Basis of Allotment	The basis on which Equity Shares will be allotted to the Investors under the Issue and which is described in "Basis of Allotment" on page 128 of the Draft Letter of Offer
Business Day	Any day, other than a Saturday or a Sunday, on which commercial banks in Mumbai are open for business.
Composite Application Form / CAF	The form used by an Investor to make an application for allotment of the Rights Equity Shares in the Issue.
Designated Stock Exchange	BSE
Collection Centre	As defined in SEBI (ICDR) Regulations, 2009, and mentioned in the CAF.
Controlling Branches	Such Branches of SCSB which co-ordinates applications under the Issue by the ASBA Investor with the Registrar to the Issue and the Stock Exchanges and the list of which is available at <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a> .
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended from time to time

TERMS	DESCRIPTION
Depositories Regulations	The SEBI (Depository and Participant) Regulations, 1996, as amended from time to time
Designated Branches	Such branches of the SCSBs which shall collect CAF from ASBA investor and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a>
Eligible Equity Shareholders	The Equity Shareholders of our Company as on the Record Date.
Equity Shares	Equity Shares of our Company having a face value of Re. 10/- each.
Equity Shareholders	The Equity Shareholders of our Company.
Investors	The Eligible Equity Shareholders of our Company as on the Record Date and the Renouncees.
Issue	Issue of 77,63,200 Rights Equity Shares of face value Rs. 10/- each at a price of Rs. 10 aggregating Rs. 776.32 lacs to the Eligible Equity Shareholders of our Company on rights basis in the ratio of 1 (one) Right Equity Share for every 2 (Two) Equity Share held on the Record Date i.e. [●].
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Price	Rs. 10 per Rights Equity Share.
Issue Proceeds	The proceeds of this Issue that are available to our Company.
Lead Manager/LM	First Overseas Capital Limited
Record Date	[●]
Registrar to the Issue	Beetal Financial & Computer Services Pvt Limited, Beetal House, 99, Madangir, Behind Local Shopping Centre, Near Dada Harsukh Dass Mandir, New Delhi-110062
Renouncee(s)	Any person(s) who has / have acquired Rights Entitlements from the Eligible Equity Shareholders.
Rights Entitlement	The number of Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to his / her shareholding in our Company as on the Record Date.
Rights Equity Shares	The Equity Shares being offered to the Eligible Equity Shareholders of our Company in this Issue.
SAF	Split Application Form
Stock Exchange	SME platform of BSE Limited
SCSB	The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a> .
SEBI (ICDR) Regulations, 2009	Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009 as amended from time to time

#### COMPANY/INDUSTRY RELATED TERMS/TECHNICAL TERMS

TERMS	DESCRIPTION
2D	Two Dimensional
3D	Three Dimensional
2G	Second Generation mobile telephony services
3G	Third Generation mobile telephony services
Aggregation Rights	Titles over which we have limited ownership rights
ARPU	Average Revenue Per User
BWA	Broadband wireless access
BRIC	Brazil, Russia, India and China;
C&S	Cable and Satellite
CAGR	Compounded Annual Growth Rate
CD	Compact Disc
Content Library	Titles where we have Perpetual Rights or Aggregation Rights
DTH	Direct to Home
DVD	Digital Versatile Disc
G7	Canada, France, Germany, Italy, Japan, United Kingdom, and United States
GDP	Gross Domestic Product
GEC	General Entertainment Channels
GPRS	General Packet Radio Service
HD	High Definition

TERMS	DESCRIPTION
HITS	Head-end in the sky
IPL	Indian Premier League
IPTV	Internet Protocol Television
ISP	Internet Service Providers
IVR	Interactive Voice Response
L&M	License and Merchandising
M&E	Indian Media and Entertainment
MPDA	Maharashtra Prevention of Dangerous Activities Act
MVAS	Mobile Value Added Services
NAS	Network Attached Storage
Perpetual Rights	Titles over which we have complete ownership rights
PC	Personal Computer
PPV	Pay Per View
Project	Production of films, strengthening distribution operations
SAN	Storage Area Network
SD	Standard Definition
SMS	Short Message Service
STB	Set Top Box
TV	Television
TRAI	Telecom Regulatory Authority of India
TRP	Target Rating Point
VAS	Value Added Service
VCD	Video Compact Disc
VHS	Video Home Systems
VSAT	Very Small Aperture Terminal

#### ABBREVIATIONS

ABBREVIATION	FULL FORM
AGM	Annual General Meeting
AMBI	Association of Merchant Bankers of India
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
A.Y.	Assessment Year
B.A	Bachelor of Arts
B.Com	Bachelor of Commerce
B.E.	Bachelor of Engineering
B.Sc.	Bachelor of Science
B.Tech.	Bachelor of Technology
BG/LC	Bank Guarantee / Letter of Credit
CAGR	Compounded Annual Growth Rate
C. A.	Chartered Accountant
CAIIB	Certified Associate of the Indian Institute of Bankers
CC	Cubic Centimeter
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
C.S.	Company Secretary
Cum	Cubic meter
DP	Depository Participant
ECS	Electronic Clearing System
EGM / EOGM	Extra Ordinary General Meeting of the shareholders
EPS	Earnings per Equity Share
ESOP	Employee Stock Option Plan
EMD	Earnest Money Deposit
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued there under.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India.

ABBREVIATION	FULL FORM
FIs	Financial Institutions.
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
FY / Fiscal	Financial Year
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
Gol/ Government	Government of India
HUF	Hindu Undivided Family
INR / Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India
M. A.	Master of Arts
M.B.A.	Master of Business Administration
SME	Small And Medium Enterprises
M. Com.	Master of Commerce
M.E.	Master of Engineering
NAV	Net Asset Value
No.	Number
NR	Non Resident
NSDL	National Securities Depository Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
RoC/Registrar of Companies	The Registrar of Companies, National Capital Territory of Delhi & Haryana
RONW	Return on Net Worth
USD/ \$/ US\$	The United States Dollar, the legal currency of the United States of America

## **PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA**

### **FINANCIAL DATA**

Unless stated otherwise, the financial data in this Draft Letter of Offer is extracted from the financial statements of our Company for the fiscal years 2014, 2013, 2012, 2011, 2010 and 2009 and the restated financial statements of our Company for Fiscal Years 2014, 2013, 2012, 2011, 2010 and 2009 prepared in accordance with the applicable provisions of the Companies Act and Indian GAAP and restated in accordance with SEBI (ICDR) Regulations, 2009, as stated in the report of our Auditors and the SEBI Regulations and set out in the section titled – Financial Information on page 85. Our restated financial statements are derived from our audited financial statements prepared in accordance with Indian GAAP and the Companies Act, and have been restated in accordance with the SEBI Regulations. Our fiscal years commence on April 1 and end on March 31. In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All decimals have been rounded off to two decimal points.

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

### **CURRENCY OF PRESENTATION**

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "\$", "US\$", "USD", "U.S.\$" or "U.S. Dollar(s)" are to United States Dollars, if any, the official currency of the United States of America. This Draft Letter of Offer contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees (and certain Indian Rupee amounts into U.S. Dollars and other currency amounts). These have been presented solely to comply with the requirements of the SEBI Regulations. These translations should not be construed as a representation that such Indian Rupee or U.S. Dollar or other amounts could have been, or could be, converted into Indian Rupees, at any particular rate, or at all. In this Draft Letter of Offer, throughout all figures have been expressed in Lacs, except as otherwise stated. The word "Lacs", "Lac", "Lakhs" or "Lakh" means "One hundred thousand".

Any percentage amounts, as set forth in "Risk Factors", "Our Business", "Management's Discussion and Analysis of Financial Conditions and Results of Operation" and elsewhere in this Draft Letter of Offer, unless otherwise indicated, have been calculated based on our restated financial statement prepared in accordance with Indian GAAP.

### **INDUSTRY & MARKET DATA**

Unless otherwise stated, Industry & Market data used throughout this Draft Letter of Offer has been obtained from internal Company reports and Industry publications and 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 data used in this Draft Letter of Offer is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

The extent to which the market and industry data used in this Draft Letter of Offer is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

For additional definitions, please refer the section titled "Definitions and Abbreviations" on page 1 of this Draft Letter of Offer.

### **DISCLOSURE IN THIS DRAFT LETTER OF OFFER**

This Draft Letter of Offer of Channel Nine Entertainment Limited is being made in compliance with disclosures required as per Part A of Schedule VIII of SEBI (ICDR) Regulations 2009.



## FORWARD LOOKING STATEMENTS

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

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from expectations include, among others General economic conditions, political conditions, conditions in the Media & Entertainment sector, , consumer preference, interest rates, inflation etc. and business conditions in India and other countries.

- Our ability to successfully implement our strategy, our growth and expansion, technological changes.
- Our exposure to market risks that have an impact on our business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and Globally.
- Changes in foreign exchange rates or other rates or prices;
- Our failure to keep pace with rapid changes in Media and Entertainment sector;
- The monetary and interest policies of India, unanticipated turbulence in interest rates;
- Our ability to protect our intellectual property rights and not infringing intellectual property rights of other parties;
- Changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities.
- Changes in political condition in India.
- The outcome of legal or regulatory proceedings that we are or might become involved in;
- Government approvals;
- Our ability to compete effectively, particularly in new markets and businesses;
- Our dependence on our Key Management Personnel and Promoter;
- Conflicts of interest with affiliated companies, the Group Entities and other related parties;
- Other factors beyond our control; and
- Our ability to manage risks that arise from these factors.

For further discussion of factors that could cause Company's actual results to differ, see the section titled "Risk Factors" on page 8 of this Draft Letter of Offer. 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 Lead Manager, 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, our Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange.

## SECTION II

### RISK FACTORS

*An Investment in equity involves higher degree of risks. Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Draft Letter of Offer before making any investment decision relating to the Equity Shares. The occurrence of any of the following events could have a material adverse effect on the business, results of operation, financial condition and prospects and cause the market price of the 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 Letter of Offer, including the sections titled "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Financial Information" included in this Draft Letter of Offer beginning on pages 57, 100 & 85 respectively. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of the Equity Shares to fall significantly.*

*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.*

#### INTERNAL RISK FACTORS

**1. The Registered Office of our Company is on lease basis.**

We operate from our registered office situated at 3/12, Ground floor, Asaf Ali Road, New Delhi- 110002, which is a rented premise. Any discontinuance of rent facility will lead us to locate any other premises. Our inability to identify the new premises may adversely affect the operations, finances and profitability of our Company.

**2. We have reported negative cash flows.**

The detailed break up of cash flows is summarized in below mentioned table and our Company has reported negative cash flow in certain financial years and which could affect our business and growth:

<i>(Rs. In Lacs)</i>						
Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Net Cash flow from Operative activities	(194.50)	(299.52)	(96.91)	(0.49)	1.01	6.28
Net Cash Flow from investing activities	(81.11)	(1311.39)	(375.00)	-	(0.21)	(0.16)
Net Cash Flow from Financing activities	225.50	1673.89	472.50	-	-	(5.35)
Net Cash Flow for the Year	(50.11)	62.98	0.60	(0.49)	0.80	0.77

**3. We are dependent on our management team for success whose loss could seriously impair the ability to continue to manage and expand business efficiently.**

Our success largely depends on the continued services and performance of our management and other key personnel. The loss of service of the Promoters and other senior management could seriously impair the ability to continue to manage and expand the business efficiently. Further, the loss of any of the senior management or other key personnel may adversely affect the operations, finances and profitability of our Company. Any failure or inability of our Company to efficiently retain and manage its human resources would adversely affect our ability to implement new projects and expand our business.

#### 4. Shortfall in the Promise V/S Performance in the Initial Public Issue made by our Company

Our Company came out with its maiden public Issue in the year 2013 and issued 46,68,000 Equity Shares of the face value Rs. 10 each at a price of Rs. 25 per share aggregating to Rs. 1167.00 Lacs. The objects of the issue and the respective utilizations as on 31<sup>st</sup> March 2013 & 31<sup>st</sup> March 2014 are as follows:-

Particulars	Proposed Objects	Actual Utilizations as on 31 <sup>st</sup> March, 2013	Actual Utilizations as on 31 <sup>st</sup> March, 2014
To finance the estimated expenditure of production of two (2) films	700.00	-	480.00
Strengthening Distribution operations	350.00	-	311.11
Brand Building	60.00	-	54.19
Issue Expenses	57.00	29.30	29.30
Unutilized portion	NA	1142.20	296.90
<b>Total</b>	<b>1167.00</b>	<b>1171.50</b>	<b>1171.50</b>

#### 5. We have entered into certain related party transactions and may continue to do so.

We have entered into related party transactions with our Promoters, Group Company, Directors. While we believe that all such transactions have been conducted on the arms length basis, however it is difficult to ascertain whether more favorable terms would have been achieved had such transactions been entered with unrelated parties. Furthermore, it is likely that we will enter into related party transactions in the future. For details of these transactions, please refer to section titled "Related Party Transactions" at page 83 of this Draft Letter of Offer.

#### 6. There is no monitoring agency appointed by our Company and the deployment of funds are at the discretion of our Management and our Board of Directors, though it shall be monitored by the Audit Committee.

As per SEBI (ICDR) Regulations, 2009 appointment of monitoring agency is required only for Issue size above Rs. 50,000 Lacs. Hence, we have not appointed a monitoring agency to monitor the utilization of Issue proceeds. However, the audit committee of our Board will monitor the utilization of Issue proceeds. Further, our Company shall inform about material deviations in the utilization of Issue proceeds to the BSE Limited and shall also simultaneously make the material deviations / adverse comments of the audit committee public.

#### 7. We may face risks of delays/non-receipt of the requisite regulatory approvals for our objects arising out of the Issue. Any delay in receipt or non-receipt of such approval could result in cost and time overrun.

We would be applying for various licenses, approvals, registrations at various stages of implementation for the Project. Any delay in receipt or non-receipt of licenses or approvals that may be required for the Project could result in cost and time overrun, and accordingly adversely affecting our operations and profitability. For details, please refer to section titled "Government & other Approvals" on page 107 of this Draft Letter of Offer.

#### 8. Delay in raising funds from the Rights Issue could adversely impact the implementation schedule.

The proposed expansion, as detailed in the section titled "*Objects of the Issue*" is to be largely funded from the proceeds of this Rights Issue. We have not identified any alternate source of funding and hence any failure or delay on our part to mobilize the required resources or any shortfall in the Issue proceeds may delay the implementation schedule. We therefore, cannot assure that we would be able to execute

the expansion process within the given timeframe, or within the costs as originally estimated by us. Any time overrun or cost overrun may adversely affect our growth plans and profitability.

**9. The Company has not appointed any independent agency for the appraisal of the proposed Project.**

The Project, for which we intend to use our Issue proceeds as mentioned in the objects of the Issue, has not been appraised by any bank or financial institution. The total cost of Project is our own estimates based on current conditions and are subject to changes in external circumstances or costs. Our estimates for total cost of Project has been based on various quotations received by us from different suppliers and our internal estimates and which may exceed which may require us to reschedule our Project expenditure and may have an adverse impact on our business, financial condition and results of operations.

**10. We could not do any substantial business since year 2007; hence we may not assure that we would accomplish expected results in business.**

We are engaged in the business of production, distribution and marketing of low budget films & tele-series, and there is a possibility of no market and non-acceptance for such films and tele serials, and can hinder our accomplishment of productive platform in business.

**11. We depend on our relationships with creative talent and other industry participants to exploit our film content.**

We generate revenues from exploitation of film content which we distribute through various distribution channels. Acquisition of content is an integral part of our business. Our ability to successfully acquire the content depends on our ability to maintain relationships with creative talent and other industry participants. The pool of creative talent in India is limited and as a result, there is significant competition to secure the services of actors, directors among others. This in turn can cause the cost of contracting such creative talent, and hence the cost of film content. We believe maintaining existing relationships is key to enabling us to continue to secure content and to exploit such content in the future. While we have benefited from long-standing relationships with certain industry participants in the past, there can be no assurance that we will be able to successfully maintain these relationships and continue to have access to content through such means, and it could have a material adverse effect on our business, prospects, financial condition and results of operations.

**12. Piracy of our content may adversely impact our revenues and business.**

We are highly dependent on maintenance of intellectual property rights in the entertainment products and services we create. Piracy of media products, including digital and internet piracy and the sale of counterfeit consumer products, may decrease revenue from the exploitation of our products.

**13. A variety of approvals, licenses, registrations and permits are required for our business, and the failure to obtain or renew such licenses in a timely manner or at all, may adversely affect our operations.**

We require certain licenses in respect to the operation of certain parts of our business, including permits in relation to film shooting. In case of our failure to obtain or retain any of these licenses in timely manner or at all, our business may be adversely affected.

**14. Our film content may be objectionable to some viewers or society.**

In India or abroad, it is possible that some viewers may object to film content produced or distributed by us based on religious, political, ideological or any other view held by such viewers, any of which could have material adverse affect on our business, financial condition and results of our operations.

**15. High competition may result in content cost escalation which may restrict our ability to access content at favorable terms or at all. Any escalation in the content acquisition cost as a result of such competition could result in us losing out on opportunities to acquire content, or, could impact the profitability of the content so acquired, which would adversely affect our growth and profitability.**

Our Company faces competition from both existing as well as emerging players in the films and television media segments. Intensified competition from these players in recent years has increased demand for the limited content pool, which has in turn contributed to an increase in costs for content acquisition. There can be no assurance that the costs of content acquisition will not continue to increase in the future, making it more difficult for us to access content cost-effectively. Further, the prices of commercially compelling content could rise disproportionately due to scarce supply of such content. This could reduce our ability to sustain profit margins, which could have a material adverse effect on our business prospects, financial condition and results of operations.

**16. We may confront tough competition due rapid advancement in technology and may be unable to adapt to such changes.**

Digitization continues to be a key growth driver for the Indian media & entertainment industry and this trend was even more pronounced since 2010. Film studios saw greater adoption of digital prints over physical. We may not be successful in adapting such changes and advancement in digital distribution technology to expected extent and may have a material adverse effect on our business prospects, financial condition and results of operations.

**17. Our operating results may be materially and adversely affected by the seasonality of our business.**

Our revenue and operating results are seasonal in nature due to variation in factors such as advertising spend, acquisition activities of television broadcasters and overall entertainment consumption patterns of consumers. Entertainment consumption patterns and advertising spends have traditionally been higher during vacations, national holidays and the festivals. They are also affected by competing leisure and entertainment activities such as cricket among others. As a result, quarterly results can vary from one year to the next and the results of one quarter are not necessarily indicative of results for the next or any future quarter.

**18. Our success depends on our ability to retain and attract key qualified personnel and, if we are not able to retain them or recruit additional qualified personnel, we may be unable to successfully develop and grow our business.**

We have, over time, built a team of experienced professionals on whom we depend to oversee the operations and growth of our business. We believe that our success in the future is substantially dependent on the experience and expertise of, and the longstanding relationships with key talent and other industry participants built by our senior management and key personnel. Any loss of any of our senior management or key personnel or any conflict of interest that may arise for such management or key personnel or the inability to recruit further senior managers or other key personnel could impede our growth by impairing our day-to-day operations and hindering our development of our business and our ability to develop, maintain and expand client relationships, which would have a material adverse effect on our business, results of operations, financial condition and prospects.

**19. We may not be successful in implementing our business strategies.**

The success of our business depends substantially on our ability to implement our business strategies effectively or at all. Even though we have successfully executed our business strategies in the past, there is no guarantee that we can implement the same on time and within the estimated budget going forward, or that we will be able to meet the expectations of our targeted customers. Changes in regulations applicable to us may also make it difficult to implement our business strategies. Failure to implement our business strategies would have a material adverse effect on our business and results of operations.

**20. Success of our film distribution business depends upon the commercial success of films.**


We indulge in to distribution of feature film and we acquire distribution rights of a certain region and for a certain period of time. Our ability of distribution of films effetedly depend upon the commercial success of the film. In case where a film is distributed on a minimum guarantee basis, we may incur a substantial loss, if the said film is not a box office success. Further, lack of quality content in a film will be reflected in the box office performance and will in turn impact our profitability. The profitability of the distribution business will also depend on the price at which the rights of the film are being

purchased /acquired. There is no guarantee that the box office performance will be commensurate with the price paid for acquiring the distribution rights.

**21. We have not protected our assets through insurance coverage and our assets are certain operating risks and this may have a material adverse impact on our business.**

We have not maintained any insurance policy to provide adequate coverage to our assets. Any damage or loss of our assets would have a material and adverse impact on our business operations and profitability.

**22. Our trademark is not registered under the Trade Marks Act our ability to use the trademark may be impaired.**

Our company's business may be affected due to our inability to protect our existing and future intellectual property rights. Currently, we do not have a registered trademark over our name and logo under the Trade Marks Act and consequently do not enjoy the statutory protections accorded to a trademark registered in India and cannot prohibit the use of such logo by anybody by means of statutory protection. Our Company has made application for registration of logo "CHANEL ". We cannot guarantee that all the pending application will be decided in the favor of the Company. If our trademarks are not registered it can allow any person to use a deceptively similar mark and market its product which could be similar to the products offered by us. Such infringement will hamper our business as prospective clients may go to such user of mark and our revenues may decrease.

**23. The new Companies Act, 2013 is recently being implemented and any developments in the near future may be material with respect to the disclosures to be made in this Draft Letter of Offer as well as other rules and formalities for completing the Issue.**

The Companies Act, 2013 has been published on August 29, 2013. Section 1 of the said Act was notified on August 30, 2013, while 98 more sections were notified as on September 12, 2013, section 135 and rules thereunder on 27/02/2014. The Ministry of Company Affairs has further notified 183 sections of the Act and Rules thereunder to be made effective from 01.04.2014. Though we have incorporated the relevant details pertaining to the new Companies Act, 2013 (to the extent notified) in this Draft Letter of Offer, any further notifications by the MCA after our filing of this Draft Letter of Offer may be material with respect to the disclosures to be made in the Draft Letter of Offer as well as other rules and formalities for completing the Issue. The Companies Act, 2013 provides for, among other things, changes to the regulatory framework governing the issue of capital by companies, corporate governance, audit procedures, corporate social responsibility, and the requirements for independent directors, director's liability, class action suits, and the inclusion of women directors on the boards of companies. The Companies Act, 2013 is expected to be complemented by a set of rules that shall set out the procedure for compliance with the substantive provisions of the Companies Act, 2013. In the absence of such rules, it is difficult to predict with any degree of certainty the impact, adverse or otherwise, of the Companies Act, 2013 on the Rights Issue, and on the business, prospects and results of operations of the Company.

## **EXTERNAL RISK FACTORS**

**24. Political, economic and social changes in India could adversely affect our business.**

Our business, and the market price and liquidity of our Company's shares, may be affected by changes in Government policies, including taxation, social, political, economic or other developments in or affecting India could also adversely affect our business. Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms including significantly relaxing restrictions on the private sector. In addition, any political instability in India may adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares.

**25. Our business is subject to a significant number of tax regimes and changes in legislation governing the rules implementing them or the regulator enforcing them in any one of those jurisdictions could negatively and adversely affect our results of operations.**

The revenues recorded and income earned is taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of the

tax liabilities involves the interpretation of local tax laws as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax laws, could impact the determination of the tax liabilities of our Company for any year.

**26. Natural calamities and force majeure events may have an adverse impact on our business.**

Natural disasters may cause significant interruption to our operations, and damage to the environment that could have a material adverse impact on us. The extent and severity of these natural disasters determines their impact on the Indian economy. Prolonged spells of deficient or abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy, which could adversely affect our business and results of operations.

**27. Our transition to IFRS reporting could have a material adverse effect on our reported results of operations or financial condition.**

Our Company may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, the IFRS announced by the Ministry of Corporate Affairs, Government of India through a press note dated January 22, 2010 ("IFRS Convergence Note"). The Ministry of Corporate Affairs by a press release dated February 25, 2011 has notified that 32 Indian Accounting Standards are to be converged with IFRS. The date of implementation of such converged Indian accounting standards has not yet been determined and will be notified by the Ministry of Corporate Affairs after various tax related issues are resolved. We have not yet determined with certainty what impact the adoption of IFRS will have on our financial reporting. Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP or our adoption of IFRS may adversely affect our reported results of operations or financial condition. This may have a material adverse effect on the amount of income recognized during that period.

**28. Restrictions on foreign investment limit our ability to raise debt or capital outside India.**

Indian laws constrain our ability to raise capital outside India through the issuance of equity or convertible debt securities and restrict the ability of non-Indian companies to invest in us. Foreign investment in, or an acquisition of, an Indian company requires approval from the relevant government authorities in India, including the Reserve Board of India and the Foreign Investment Promotion Board.

**29. Any downgrading of India's debt rating by a domestic or international rating agency could negatively impact our business.**

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our financial results and business prospects, ability to obtain financing for capital expenditures and the price of our Equity Shares.

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

Terrorist attacks and other acts of violence or war may adversely affect the Indian markets on which our Equity Shares will trade. These acts may result in a loss of business confidence, make travel and other services more difficult and have other consequences that could have an adverse effect on our business. In addition, any deterioration in international relations, especially between India and its neighboring countries, may result in investor concern regarding regional stability which could adversely affect the price of our Equity Shares. In addition, India has witnessed local civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse impact on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the market price of our Equity Shares.

**31. Third party statistical and financial data in this Draft Letter of Offer may be incomplete or unreliable.**

We have not independently verified any of the data from industry publications and other sources referenced in this Draft Letter of Offer and therefore cannot assure you that they are complete or reliable. Discussions of matters relating to India, its economies or the industries in which we operate in this Draft Letter of Offer are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable.

**RISKS RELATING TO THE EQUITY SHARES**

**32. Any future issue of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.**

Any future equity issues by us, including in a primary offering, may lead to the dilution of investors' shareholdings in us. Any future equity issuances by us or sales of its Equity Shares by the Promoters may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

**33. Our ability to pay any dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.**

The amount of our future dividend payments, if any, will depend upon our Company's future earnings, financial condition, cash flows, working capital requirements, capital expenditures, applicable Indian legal restrictions and other factors. There can be no assurance that our Company will be able to pay dividends.

**34. The price of our Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price, or at all.**

We cannot assure that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the price at which the Equity Shares are offered herein will correspond to the prices at which they will trade in the market subsequent to this Issue. Further, the prices of the Equity Shares may fluctuate after this Issue due to a wide variety of factors, including:

- Volatility in the Indian and global securities markets;
- Our operational performance and financial results and conditions;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Developments in India's economic liberalization and deregulation policies;
- Changes in India's laws and regulations impacting our business



#### PROMINENT NOTES:

- 1) This is a Rights Issue of 77,63,200 Rights Equity Shares of Rs. 10/- each for cash at a price of Rs. 10/- per Rights Equity Share aggregating to Rs. 776.32 lacs to the existing Equity Shareholders of our Company on rights basis in the ratio of 1 (one) Equity Share for every 2 (Two) Equity Share held as on the Record Date. For further details please refer to the section titled "Terms and Procedure of the Issue" beginning on page 118 of this Draft Letter of Offer.
- 2) Our Net worth as on 31<sup>st</sup> March, 2014 is Rs. 2238.35 Lacs as per Restated Financial Statements.
- 3) The Book -Value per share as on 31<sup>st</sup> March, 2014 is Rs. 14.42 as per Restated Financial Statements.
- 4) There was no change in the name of the Company at any time during last three years.
- 5) Investors may please note that in the event of over subscription, allotment shall be made on proportionate basis in consultation with the BSE Limited, the Designated Stock Exchange. For more information, please refer to "Basis of Allotment" on page 128 of the Draft Letter of Offer. The Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner as set out therein.
- 6) Pertaining to our related party transactions, see the chapter titled "Related Party Transactions" beginning on page 83 of this Draft Letter of Offer;
- 7) For details of transactions in the securities of our Company by our Promoter and Promoter group in the last six months, refer to the chapter titled "Capital Structure" on page 28 of this Draft Letter of Offer;
- 8) Trading in the Rights Equity Shares of our Company for all Investors shall be in dematerialized form only. For further details, see the section titled "Terms and Procedure of the Issue" beginning on page 118 of this Draft Letter of Offer;
- 9) Before making any investment decision in this Issue, Investors are advised to refer to the section titled "Basis for Issue Price" beginning on page 41 of this Draft Letter of Offer;
- 10) Any clarification or information relating to the Issue shall be made available by the Lead Manager and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever;
- 11) Investors may contact our Compliance Officer or the Lead Manager for any complaints pertaining to this Issue;
- 12) The Lead Manager and our Company shall keep the shareholders / public informed of any material changes till the listing and trading commences as per the terms of the listing agreement and the SEBI (ICDR) Regulations, 2009.

## SECTION III: INTRODUCTION

### SUMMARY

*This is only the summary and does not contain all information that you shall consider before investing in Equity Shares. You should read the entire Draft Letter of Offer, including the information on “Risk Factors” and related notes on page 8 of this Draft Letter of Offer before deciding to invest in Equity Shares.*

### INDUSTRY OVERVIEW

#### The Indian Economy

India is the world’s largest democracy in terms of population with Gross Domestic Production (GDP) of US\$ 4,060 billion in 2010 in purchasing power parity (PPP) terms. This makes India the fifth largest economy in the world after the European Union, the United States of America, China and Japan in PPP terms, (Source: CIA World Factbook). India is also amongst the fastest growing economies globally and its real GDP has grown at an average compounded rate of 8.4% per annum during the last five years up to FY 2011. (Source- Central Statistics Office, Government of India)

#### INDIAN MEDIA & ENTERTAINMENT INDUSTRY:

##### Industry size and projections

The Indian M&E industry grew from INR 652 billion in 2010 to INR 728 billion in 2011, registering an overall growth of 12 percent. Backed by strong consumption in Tier 2 and 3 cities, continued growth of regional media and fast increasing new media businesses, the industry is estimated to achieve a growth of 13 percent in 2012 to touch INR 823 billion. Going forward, the sector is projected to grow at a healthy CAGR of 14.9 percent to reach INR 1,457 billion by 2016.

While television continues to be the dominant medium, sectors such as animation and VFX, digital advertising and gaming are fast increasing their share in the overall pie. Radio is expected to display a healthy growth rate after the implementation of Phase 3. Print, while witnessing a decline in growth rate, will still continue to be the second largest medium in the Indian M&E industry. A lot will depend on how well the print players are able to adapt to fast changing reader habits and news consumption patterns.

Overall industry size (INR billion)

Overall Industry size (INR Billion) (For Calendar Years)	2007	2008	2009	2010	2011	Growth in 2011 over 2010	2012P	2013P	2014P	2015P	2016P	CAGR (2011-16)
TV	211.0	247.0	257.0	297.0	329.0	10.8%	380.0	435.0	514.0	618.0	735.0	17%
Print	160.0	172.0	175.2	100.9	208.0	8.3%	226.0	246.0	270.0	294.0	323.4	9%
Film	92.7	104.4	89.3	80.3	92.9	11.5%	100.0	106.7	121.1	134.5	150.3	10%
Radio	7.4	8.4	8.2	10.0	11.5	15.0%	13.0	16.0	20.0	24.0	29.5	27%
Music	7.4	7.4	7.0	8.0	9.0	4.7%	10.0	11.2	12.1	15.4	18.2	15%
OOH	14.0	16.1	13.7	16.5	17.8	7.9%	19.5	21.5	23.8	26.0	29.0	10%
Animation and VFX	14.0	17.5	20.1	23.8	31.0	30.2%	36.3	43.0	51.1	61.0	69.0	17%
Gaming	4.0	7.0	8.0	10.0	13.0	30.0%	18.0	23.0	29.0	37.0	48.0	28%
Digital Advertising	4.0	6.0	8.0	10.0	15.4	54.0%	19.9	25.0	33.5	43.7	57.0	30%
Total	514	580	547	652	728	11.7%	823	932	1076	1254	1457	14.8%

Source: FICCI- KPMG Report 2011

The different segments mentioned in the above table will contribute in the growth of the M&E Industry in the following manner:

### **A. Television**

India is the world's third largest TV market with almost 138 million TV Households (HHs) next to China and USA. Cable and Satellite (C&S) penetration has reached close to 80 percent with the soaring growth shown by the DTH platform. Overall the industry grew at a growth rate of 15 percent in 2010 as compared to 7 percent last year, owing to resurgence after the recessionary pressures of last year. It is expected to reach a size of INR 630 billion in next five years i.e. by 2015 at a CAGR of 16 percent because of the following factors:

- Huge growth Potential
- DTH growth has enhanced the satellite footprint
- Potential for increase in Average time spent on TV in India

### **B. Films**

The Indian film industry is projected to grow at a CAGR of 9.6 percent to touch INR 132.1 billion in revenues by 2015. With rapid digitization, roll out of 3G and BWA networks and introduction of new platforms for content consumption, the industry is expected to leverage these technological innovations to monetize films on alternate screens. Further growth in this segment is expected to be driven by the following factors:

- New piracy laws
- Effect of Social Networks
- Success of the non-Hindi film market

### **C. New Media**

New Media has two major sub-segments at present, which are highlighted below:

1. Mobile Value Added Services (MVAS)
2. Internet enabled

The size of the MVAS market in India is estimated to be INR 56 billion and is expected to grow at a CAGR of 26 percent to INR 177 billion by 2015. Internet enabled services also has a tremendous growth potential. Out of the 73 million unique visitors on internet in the month of March 2011, around 35 million users accessed internet from shared access locations like internet cafés.

The factors contributing to growth of New Media are:

- Introduction of 3G
- Wide range of Services
- Rise in off-deck services to impact current revenue sharing agreements

### **D. Music**

Digital Music revenue has overtaken physical in 2010 and expected to become around 12 times of physical sales by 2015. The Music industry is expected to grow at a CAGR of 17 percent to be worth INR 18.66 billion by 2015 with digital music acting as a key growth Explosion of music consumption with the advent of 3G. The 549 million-plus active mobile subscribers in India will have their first true broadband experience when 3G services are rolled out and stabilized. The imminent entry of large players providing these services is expected to revolutionize the market dynamics and create a new set of revenue streams, content delivery platforms and consumption patterns.

- Surge in the number of devices leading to newer platforms for consuming music.
- Copyright law likely to impact film music

## BUSINESS OVERVIEW

Our Company was originally incorporated in New Delhi as "Channel Nine Entertainment Limited" on 25th July, 2002 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana.

We are engaged in the business of production, distribution television serials, films, corporate films, feature films, documentaries, and marketing of sports and entertainment events. We are outsourcing the processing services like content development, multi-media, editing and sound recording from a Media Development Centre based at B-20, Sector-57, Noida - 201301.

Our company believe and invest in multi dimensional cinemas from all around the world some of them include American Desi, Agni Pankh, Amy's Orgasm, and Chameli etc. Further, we are also associated with documentary films and other creative activities.

We have been associated with following movies as distributors for various territories of India.

- American Desi (Hinglish )
- Green Card Fever (Hinglish )
- Where is the party yaar (Hinglish )
- Ek Din 24 Ghante (Hindi)-(Produced by one of our erstwhile director)
- Freaky Chakra (Hinglish )
- Insomina (English)
- American Pie (English )
- Amy Orgasm (English)
- Chameli ( Hindi )
- God Only Knows ( English)
- Paisa Wasool ( Hindi )
- Swaraj ( Hindi )
- Everybody says I'M fine ( English )
- Rules Pyar ka Super Hit Formula ( Hindi )
- Fun2shh ( Hindi )
- Agni Pankh ( Hindi )
- Shadi Ka Laddoo ( Hindi )
- Silence the Dressing Room ( Hindi & English )
- Wah Wah Ram ji ( Hindi )

We have also been actively associated with following the TV Serials, contests like:

- Terra Quiz
- Documentary Films
- Indian legends
- Khamoshi Kyon
- Talk Positive
- Other Creative Activities like Ad Films, Corporate films etc.

Our Company came out with its maiden public Issue in the year 2013 and issued 46,68,000 Equity Shares of the face value Rs. 10 each at a price of Rs. 25 per share aggregating to Rs. 1167.00 Lacs. The objects of the issue and the respective utilizations as on 31<sup>st</sup> March, 2013 & 31<sup>st</sup> March 2014 are as follows:

Particulars	Proposed Objects	Actual Utilizations as on 31 <sup>st</sup> March, 2013	Actual Utilizations as on 31 <sup>st</sup> March, 2014
To finance the estimated expenditure of production of two (2) films	700.00	-	480.00
Strengthening Distribution operations	350.00	-	311.11

Brand Building	60.00	-	54.19
Issue Expenses	57.00	29.30	29.30
Unutilized portion	NA	1142.20	296.90
Total	1167.00	1171.50	1171.50

## SWOT

### Strengths

- Integrated Business Model
- Experienced Management Team

### Weakness

- Revenue and profitability is directly linked to the exploitation and growth of our content.
- Rapid Technological changes
- No prediction or forecast of audience taste about the success of films/ TV shows etc.

### Opportunities

- Growing awareness among viewers/customers about new technologies.
- New phase of low budget movies/TV Shows etc.
- Increase in no. of channels and Multiplexes.

### Threats

- There are no entry barriers in our industry which puts us to the threat of competition from new entrants.
- Any change or shift of focus of Government policies may adversely impact our financials

## SUMMARY OF FINANCIAL DATA

### STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Equity &amp; Liabilities</b>						
<b>Shareholders' Funds</b>						
Share Capital	1,552.64	1552.64	53.01	46.71	46.71	46.71
Reserve & Surplus	734.22	728.95	503.40	29.82	34.01	35.63
<b>Total (A)</b>	<b>2286.86</b>	<b>2281.59</b>	<b>556.41</b>	<b>76.53</b>	<b>80.72</b>	<b>82.34</b>
<b>Non-Current Liabilities</b>						
Share Application Money		-	-	-	-	-
Long Term Borrowings		-	-	-	-	-
Deferred Tax Liabilities (Net)	16.74	8.52	6.82	6.82	4.48	2.86
Other Long Term Liabilities	230.00					
Long Term Provisions						
<b>Total (B)</b>	<b>246.74</b>	<b>8.52</b>	<b>6.82</b>	<b>6.82</b>	<b>4.48</b>	<b>2.86</b>
<b>Current Liabilities</b>						
Short Term Borrowings	-	-	-	-	-	-
Trade Payables	170.68	67.95	0.01	94.35	88.18	86.17
Other Current Liabilities	124.74	17.19	3.65	-	-	-

Short Term Provisions	3.34	5.87	0.05	0.05	0.10	0.09
<b>Total (C)</b>	<b>298.76</b>	<b>91.01</b>	<b>3.71</b>	<b>94.40</b>	<b>88.28</b>	<b>86.26</b>
<b>Total (D=A+B+C)</b>	<b>2832.36</b>	<b>2381.12</b>	<b>566.94</b>	<b>177.75</b>	<b>173.48</b>	<b>171.46</b>
<b>Assets</b>						
Fixed Assets	680.91	700.10	369.68	5.47	6.34	10.97
Non-Current Investments	299.28	269.28	30.41	30.41	30.41	26.41
Long Term Loans & Advances	19.64	19.64	7.97	7.97	7.97	7.97
Other Non-Current Assets	48.51	-	-	-	0.18	0.36
<b>Total (E)</b>	<b>1048.34</b>	<b>989.01</b>	<b>408.06</b>	<b>43.85</b>	<b>44.90</b>	<b>45.71</b>
<b>Current Assets</b>						
Current Investments	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Trade Receivables	342.75	249.76	73.31	48.68	45.37	44.44
Cash & Bank Balances	15.83	65.94	2.96	2.36	2.85	2.05
Short Term Loans & Advances	1398.07	1044.71	82.61	82.86	80.36	79.26
Other Current Assets	27.37	31.69	-	-	-	-
<b>Total (F)</b>	<b>1784.02</b>	<b>1392.10</b>	<b>158.88</b>	<b>133.90</b>	<b>128.58</b>	<b>125.75</b>
<b>Total (G=E+F)</b>	<b>2832.36</b>	<b>2381.12</b>	<b>566.94</b>	<b>177.75</b>	<b>173.48</b>	<b>171.46</b>

#### STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Income:</b>						
Income from Operations	261.20	260.45	-	2.40	7.09	6.00
Other Income	23.90	54.34	25.30	-	-	-
Increase / (Decrease) in Stock in Trade		-	-	-	-	-
<b>Total</b>	<b>285.10</b>	<b>314.79</b>	<b>25.30</b>	<b>2.40</b>	<b>7.09</b>	<b>6.00</b>
<b>Expenditure:</b>						
Purchases and cost of digital contents	196.80	256.67	-	-	-	-
Employees Cost	8.33	4.85	0.91	0.72	0.84	0.60
Other Expenses	8.75	8.51	4.48	2.66	5.37	4.26
Preliminary & Issue Expenses	14.21	7.92	-	-	-	-
<b>Total</b>	<b>228.09</b>	<b>277.95</b>	<b>5.39</b>	<b>3.38</b>	<b>6.21</b>	<b>4.86</b>
Profit before Depreciation, Interest & Tax	<b>57.01</b>	<b>36.84</b>	<b>19.91</b>	<b>(0.98)</b>	<b>0.88</b>	<b>1.14</b>
Depreciation	40.29	20.32	10.78	0.88	0.83	1.10
<b>Profit before Interest &amp; Tax</b>	<b>16.72</b>	<b>16.52</b>	<b>9.13</b>	<b>(1.86)</b>	<b>0.05</b>	<b>0.04</b>
Interest & Finance charges		-	-	-	-	-
<b>Profit before Taxes</b>	<b>16.72</b>	<b>16.52</b>	<b>9.13</b>	<b>(1.86)</b>	<b>0.05</b>	<b>0.04</b>
Provision for Taxes						
- Current Tax	-	-	1.74	2.34	1.67	(0.05)
- Minimum Alternative Tax	3.23	3.15	-	-	-	-
- Deferred Tax	8.22	1.69	-	-	-	-
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>5.26</b>	<b>11.68</b>	<b>7.39</b>	<b>(4.20)</b>	<b>(1.62)</b>	<b>(0.01)</b>
Extra Ordinary Items (Net of Tax)	-	-	-	-	-	-
<b>Net Profit</b>	<b>5.26</b>	<b>11.68</b>	<b>7.39</b>	<b>(4.20)</b>	<b>(1.62)</b>	<b>(0.01)</b>

**STATEMENT OF CASH FLOW, AS RESTATED**

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit before tax	16.72	11.68	9.13	(1.86)	0.05	0.04
Adjustment for:		-				
Add: Depreciation	40.29	20.32	10.78	0.88	0.83	1.10
Add: Preliminary Expenses	14.21	7.92	-	0.18	0.18	0.18
Less: Interest Received	(23.90)	(1.44)	-			
Operating Profit before Working capital changes	47.32	38.47	19.91	(0.80)	1.06	1.32
Adjustments for:		-				
Decrease (Increase) in Trade & Other Receivables	(92.99)	(176.45)	(24.63)	(3.30)	(0.93)	(7.42)
Decrease (Increase) in Inventories	-	-	-			
Decrease (Increase) in Loans & Advances	(353.35)	(250.54)	0.25	(2.50)	(1.10)	(1.04)
Increase (Decrease) in Trade & Other Payables	102.72	-				
Decrease /(increase) in other Assets		-				
Increase (Decrease) in Current Liabilities	104.95	89.00	(92.44)	6.16	2.02	13.45
Net Changes in Working Capital	(238.67)	(338.00)	(116.82)	0.36	(0.01)	4.99
Cash Generated from Operations	(191.35)	(299.52)	(96.91)	(0.44)	1.05	6.31
Taxes	3.15	-	-	(0.05)	(0.04)	(0.03)
<b>Net Cash Flow from Operating Activities (A)</b>	<b>(194.50)</b>	<b>(299.52)</b>	<b>(96.91)</b>	<b>(0.49)</b>	<b>1.01</b>	<b>6.28</b>
		-				
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		-				
Sale / (Purchase) of Fixed Assets	(21.11)	(350.73)	(375.00)	-	3.79	(0.16)
Interest Received	23.90	1.44				
Sale / (Purchase) of Investments	(30.00)	(962.10)			(4.00)	-
Decrease (Increase) in Non-Current Assets	(53.90)	-				
<b>Net Cash Flow from Investing Activities (B)</b>	<b>(81.11)</b>	<b>(1,311.39)</b>	<b>(375.00)</b>	<b>-</b>	<b>(0.21)</b>	<b>(0.16)</b>
		-				
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		-				
Issue of share capital and Proceeds from Share Application Money	-	1,713.50	472.50	-	-	(5.35)
Increase / (Repayment) of Secured/unsecured loans	230.00	-	-	-	-	-
Preliminary Expenses incurred	(4.50)	(39.61)	-	-	-	-
<b>Net Cash Flow from Financing Activities (C)</b>	<b>225.50</b>	<b>1,673.89</b>	<b>472.50</b>	<b>-</b>	<b>-</b>	<b>(5.35)</b>

<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(50.11)</b>	<b>62.98</b>	<b>0.60</b>	<b>(0.49)</b>	<b>0.8</b>	<b>0.77</b>
<b>Cash and cash equivalents at the beginning of the year / Period</b>	<b>65.94</b>	<b>2.96</b>	<b>2.36</b>	<b>2.85</b>	<b>2.05</b>	<b>1.28</b>
<b>Cash and cash equivalents at the end of the year/ Period</b>	<b>15.83</b>	<b>65.94</b>	<b>2.96</b>	<b>2.36</b>	<b>2.85</b>	<b>2.05</b>

Note: The above Cash Flow Statement has been prepared under "Indirect Method" as set out in the Accounting Standard (AS) - 3 on Cash Flow Statements" issued by the Institute of Chartered of Accountants of India.



## ISSUE DETAILS IN BRIEF

Pursuant to the resolutions passed by the Board of Directors of our Company at the meeting held on 9<sup>th</sup> June, 2014, it has been decided to make the offer mentioned below to the Eligible Equity Shareholders of our Company, with a right to renounce.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the section titled “Terms and Procedure of the Issue” beginning on page 118 of this Draft Letter of Offer.

<b>Rights Equity Shares proposed to be issued by our Company</b>	77,63,200 Rights Equity Shares
<b>Rights Entitlement for Equity Shares</b>	One (1) Right Equity Share for every 2 (Two) Equity Share held by existing shareholders as on the Record Date
<b>Record Date</b>	[●]
<b>Issue Price per Rights Equity Share</b>	Rs. 10.00
<b>Face Value per Rights Equity Share</b>	Rs. 10.00
<b>Equity Shares outstanding prior the Issue</b>	155,26,400 Equity Shares
<b>Equity Shares outstanding after the Issue</b>	232,89,600 Equity Shares
	Please refer to the chapter titled “Objects of the Issue” beginning on page 37 of this Draft Letter of Offer.

### Payment terms

<b>Due Date</b>	<b>Amount</b>
On Rights Issue Application	100% of the Issue Price i.e. Rs. 10/- per Equity Share.

## GENERAL INFORMATION

### CHANNEL NINE ENTERTAINMENT LIMITED

Our Company was originally incorporated in New Delhi as "Channel Nine Entertainment Limited" on 25th July, 2002 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana.

#### REGISTERED OFFICE & CORPORATE OFFICE:

3/12, Ground Floor,  
Asaf Ali Road, New Delhi-110002  
Tel: 91-11-32315575  
Fax: 91-11-32315575  
Website: [www.channelnineentertainment.com](http://www.channelnineentertainment.com)  
E-Mail: [channelnineentertainment@yahoo.com](mailto:channelnineentertainment@yahoo.com)

**COMPANY REGISTRATION NUMBER:** 116330

**COMPANY IDENTIFICATION NUMBER:** L92132DL2002PLC116330

#### ADDRESS OF REGISTRAR OF COMPANIES

4<sup>th</sup> Floor, IFCI Tower,  
61, Nehru Palace,  
New Delhi- 110019  
Tel: 011-26235707, 26235708, 26235709  
Fax: 011-26235702  
Email: [roc.delhi@mca.gov.in](mailto:roc.delhi@mca.gov.in)

**DESIGNATED STOCK EXCHANGE:** BSE Limited

**LISTING OF SHARES OFFERED IN THIS ISSUE:** SME platform of BSE

For details in relation to the changes to the name of our Company, please refer to the section titled "Our History and Corporate Structure" beginning on page 68 of this Draft Letter of Offer.

**CONTACT PERSON:** Mr Bhagat Singh, Company Secretary & Compliance Officer, 3/12, Ground Floor, Asaf Ali Road, New Delhi-110002; Tel: 91-11-32315575; Fax: 91-11-32315575; E-Mail: [channelnineentertainment@yahoo.com](mailto:channelnineentertainment@yahoo.com)

#### BOARD OF DIRECTORS:

Our Board of Directors comprise of the following members:

NAME	DESIGNATION	DIN	ADDRESS
Mr. Gajraj Singh	Executive Director	02925387	House No 62, Dhakka Village, Gtb Nagar, 110009, Delhi, India
Mr. Rajesh Kumar Ramjas Jaiswar	Non-executive non-Independent Director	06845321	61, Bhasot Bhasot, Bhasot, jaunpur, 222413, Uttar Pradesh, INDIA
Mrs. Neena Sood	Independent Director	06395848	329, Asola Fatherpur Beri, Mehrauli, Delhi, Delhi, 110074, , India
Mrs Asha Rani	Independent Director	06842453	438, Block -25, Trilok Puri Delhi-110091, , India

For further details of Management of our Company, please refer to section titled "Our Management" on page 70 of this Draft Letter of Offer.

## **COMPANY SECRETARY & COMPLIANCE OFFICER**

Mr. Bhagat Singh  
Company Secretary & Compliance Officer,  
3/12, Ground Floor,  
Asaf Ali Road, New Delhi-110002  
Tel: 91-11-32315575  
Fax: 91-11-32315575  
Mail:channelnineentertainment@yahoo.com

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

## **STATUTORY AUDITORS**

### **RANJAN GUPTA & CO.**

A-3/12, Janakpuri,  
New Delhi - 110058  
Telephone: +91- 9811680272  
PAN No. ADTPG3194R  
Contact Person: Mr Ranjan Gupta  
Firm Registration No.: 17319N  
Email Id: [ranjangupta3d@gmail.com](mailto:ranjangupta3d@gmail.com)

## **PEER REVIEW AUDITORS**

### **RAMANAND & ASSOCIATES**

Chartered Accountants  
6/C, Ostwal Park Building No.4 CHSL,  
Near Jesal Park Jain Temple,  
Bhayander (East), Thane-401105  
Tel : +91-22-28171199  
Fax : +91-22-28171199  
Firm Regn. No.: 117776W  
Contact Person: Mr Ramanand G. Gupta  
Membership No. 103975  
Email Id: [rg@caramanandassociates.com](mailto:rg@caramanandassociates.com)

## **LEAD MANAGER**

### **FIRST OVERSEAS CAPITAL LIMITED**

1-2 Bhupen Chambers  
Ground Floor, Dalal Street  
Mumbai-400-001  
Tel No. +91 22 4050 9999; Fax No. +91 22 4050 9900  
Email id: [rushabh@focl.in](mailto:rushabh@focl.in)  
Investor Grievance Email: [investorcomplaints@focl.in](mailto:investorcomplaints@focl.in)  
Website: [www.focl.in](http://www.focl.in)  
SEBI Registration No: INM000003671  
Contact person: Mr. Rushabh Shorff

## **LEGAL ADVISORS TO THE ISSUE**

### **R K SHUKLA & ASSOCIATES**

Chamber No. - 531,  
Dwarka Courts,  
Sector - 10 Dwarka,  
New Delhi - 110075  
Contact Person: Mr Ratan Kumar Shukla

## **REGISTRAR TO THE ISSUE**

### **BEETAL FINANCIAL & COMPUTER SERVICES PVT LIMITED**

Beetal house, 99, madangir, behind local shopping centre,  
28 near dada harsukh dass mandir, new delhi-110062

Tel nos.: 011-29961281/82

Fax no.: 011-29961284

Email: [beetal@rediffmail.com](mailto:beetal@rediffmail.com)

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

Contact Person : Mr. Punit Mittal

SEBI Registration: INR000000262

## **BANKER TO THE ISSUE AND REFUND BANKER**

### **HDFC BANK LIMITED**

I Think Techno Campus

Level 0-3, Next to Kanjur Marg Railway Station

Kanjur Marg (E), Mumbai - 400 042

Attn: Uday Dixit

Email: [uday.dixit@hdfcbank.com](mailto:uday.dixit@hdfcbank.com)

Contact No.: +91-22 3075 2927

Fax No.: +91-22 2579 9801

## **SELF CERTIFIED SYNDICATE BANKS**

The list of banks that have been notified by SEBI to act as SCSB for the Applications Supported by Blocked Amount ("ASBA") Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSBs collecting the ASBA Application Form, please refer to the above-mentioned SEBI link.

## **CREDIT RATING**

This being a rights issue of Equity Shares, no credit rating is required.

## **TRUSTEES**

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

## **APPRAISAL AND MONITORING AGENCY**

The project under the Issue is not appraised.

## **INTER-SE ALLOCATION OF RESPONSIBILITIES**

Since First Overseas Capital Limited is the sole Lead Manager to this Issue, a statement of inter se allocation responsibilities among Lead Manager's is not required.

## **EXPERT OPINION**

Except the report of the Statutory Auditor of our Company on the financial statements and statement of tax benefits included in the Draft Letter of Offer, our Company has not obtained any other expert opinion.

## **UNDERWRITING AGREEMENT**

This Issue is 100% Underwritten. The Underwriting agreement is [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter are several and are subject to certain conditions specified therein. The Underwriter have indicated their intention to underwrite the following number of specified securities being offered through this Issue:

Name and Address of the Underwriters	Number of shares Underwritten	Amount Underwritten (Rupees In Lacs)
[•]	[•]	[•]
[•]	[•]	[•]
<b>Total</b>	<b>7763200</b>	<b>776.32</b>

#### MINIMUM SUBSCRIPTION

This Rights Issue is fully underwritten and not subject to any level of minimum subscription.

Our Promoter and Promoter Group have confirmed that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. Our Promoters and Promoter Group reserve their right to apply for additional Rights Equity Shares, either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for renunciation if any, made within the Promoter Group to another person forming part of the Promoter Group.

In addition to the subscription to the Rights Equity Shares as stated above, in case of Issue is undersubscribed, our Promoter and Promoter Group reserve their right to subscribe to additional Rights Equity Shares in the Issue up to the minimum subscription of 90% of the Issue subject to the condition that any circumstances the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in the Listing Agreement.

As a result of this subscription and consequent allotment, the Promoter & Promoter Group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above the current shareholding but will certainly not exceed 75% of the post issue paid share capital of our Company. This subscription and acquisition of additional Equity Shares by the Promoter and Promoter Group through this Issue, if any, will not result in change of control of the management of our Company and shall be exempt in terms of provision under Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

As such, other than meeting the requirements indicated in this section on “Objects of the Issue”, there is no other intention / purpose for this Issue, including any intention to delist the Company, even if, as a result of allotment to the Promoter & Promoter Group, in this Issue, the Promoter’s & Promoter Groups’ shareholding in our Company exceeds their current shareholding. The Promoter & Promoter Group shall subscribe to such unsubscribed portion as per the relevant provisions of the law.

Allotment to the Promoter & Promoter Group of any unsubscribed portion, over and above their entitlement shall be done in compliance with clause 42 of the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

Our Promoter and Promoter Group hold 20.58% of the paid up equity share capital of our Company and even if they were to subscribe to the entire rights issue their post Issue shareholding would not exceed 75% of post Issue equity share capital. Moreover our Promoter & Promoter Group have given an undertaking that in case the due to the subscription by them to the unsubscribed portion, the post issue public shareholding in any circumstances in our Company would not fall below the specified limit of 25 % as stipulated in clause 42 of the Listing Agreement.

## CAPITAL STRUCTURE

The share capital of the Company as at the date of this Draft Letter of Offer, before and after the Issue, is set forth below.

(Rs. in Lacs, except share data)

Sr. No	Particulars	Aggregate value at face value	Aggregate value at Issue Price
<b>A.</b>	<b>Authorized Share Capital</b>		
	250, 00,000 Equity Shares of face value of Rs.10 each	2500.00	
<b>B.</b>	<b>Issued, subscribed and paid-up Equity Share Capital before the Issue</b>		
	155,26,400 Equity Shares of face value of Rs. 10 each	1552.64	---
<b>C.</b>	<b>Present Issue in terms of the Draft Letter of Offer</b>		
	Issue of 77,63,200 Equity Shares of Rs. 10 each at a price of Rs. 10/- per Equity Share.	776.32	776.32
<b>D.</b>	<b>Equity capital after the Issue</b>		
	232,89,600 Equity Shares of Rs. 10 each	2328.96	---
<b>E.</b>	<b>Securities Premium Account</b>		
	Before the Issue		709.36
	After the Issue		709.36

Note: Post issue shareholding is based on the assumption that all shareholders (including Promoter and Promoter Group) will subscribe in full to their entire Rights Entitlement.

*\*This Issue has been authorized by the Board of Directors pursuant to a board resolution 9<sup>th</sup> June, 2014 under section 62 (1)(a) of the Companies Act 2013.*

Our Company has no outstanding convertible instruments as on the date of the Draft Letter of Offer.

### CHANGES IN THE AUTHORIZED SHARE CAPITAL OF OUR COMPANY:

Sr. No.	Particulars of Change		Date of Shareholders' Meeting	Meeting AGM/EGM
	From	To		
1	-	10,00, 000 Equity Shares of Rs. 10 each	-	Incorporation
2	10,00, 000 Equity Shares of Rs. 10 each	1,00,00,000 Equity Shares of Rs. 10 each	30/03/2012	EGM
3	1,00,00,000 Equity Shares of Rs. 10 each	1,60,00,000 Equity Shares of Rs. 10 each	26/10/2012	EGM
4	1,60,00,000 Equity Shares of Rs. 10 each	2,50,00,000 Equity Shares of Rs. 10 each	25/09/2013	AGM

### NOTES FORMING PART OF CAPITAL STRUCTURE

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

Date of/ issue allotment of Shares	No. of Equity Shares Issued	Face value (Rs)	Issue price (Rs.)	Consideration (cash, bonus, consideration on other than cash)	Nature of allotment (Bonus, swap etc.)	Cumulative no. of Equity Shares	Cumulative paid-up share capital (Rs.)	Cumulative share premium (Rs.)
25/07/2002	50,000	10	10	Cash	Subscription to MOA	50,000	5,00,000	NIL

Date of/ issue allotment of Shares	No. of Equity Shares Issued	Fac e valu e (Rs)	Issue price (Rs.)	Considerat ion (cash, bonus, considerati on other than cash)	Nature of allotment (Bonus, swap etc.)	Cumulative no. of Equity Shares	Cumulative paid-up share capital (Rs.)	Cumulative share premium (Rs.)
30/07/2002	17,100	10	23.09	Cash	Preferential Allotment	67,100	6,71,000	2,23,905
16/08/2002	1,87,500	10	23.09	Cash	Preferential Allotment	2,54,600	2,54,600	26,79,100
01/09/2002	1,87,500	10	20	Other than Cash	Preferential Allotment	4,42,100	44,21,000	26,79,100
02/03/2004	25,000	10	25	Cash	Preferential Allotment	4,67,100	46,71,000	29,29,000
30/04/2011	13,000	10	750	Cash	Preferential Allotment	4,80,100	48,01,000	1,25,49,000
30/06/2011	50,000	10	750	Cash	Preferential Allotment	5,30,100	53,01,000	4,95,49,000
15/10/2012	2,70,000	10	130	Cash	Preferential Allotment	8,00,100	80,01,000	8,19,49,000
01/11/2012	9,38,000	10	10	Cash	Preferential Allotment	17,38,100	1,73,81,000	8,19,49,000
08/11/2012	4,73,500	10	10	Cash	Preferential Allotment	22,11,600	2,21,16,000	8,19,49,000
10/11/2012	4,98,500	10	10	Cash	Preferential Allotment	27,10,100	2,71,01,000	8,19,49,000
12/11/2012	81,30,300	10	Nil	Considerati on other than cash	Bonus issue (in the ratio of 3:1)	1,08,40,400	10,84,04,000	6,46,000
06/03/2013	46,86,000	10	25	Cash	Initial Public Offerings	1,55,26,400	15,52,64,000	709,36,000

- We have not issued any Equity Shares for consideration other than cash except 1,87,500 shares to Mrs. Poonam Mutreja on 1st September, 2002 and bonus issue in the ratio of 3:1 on 12<sup>th</sup> November, 2012.
- We have not issued any Equity Shares out of revaluation reserves or in terms of any scheme approved under Sections 391- 394 of the Companies Act1, 1956.

4. Present Rights Issue:

Type of Instrument	Ratio	Face Value	No. of Shares	Issue Price	Consideration
Equity Shares	1:2	Rs. 10/-	77,63,200	Rs. 10/-	Cash

- No Shares has been acquired by Promoter Group through open market during last one year.
- Promoter of our Company, Promoter Group, Promoter Group Entities and the directors of our Company and their immediate relatives have not purchased or sold directly or indirectly, any Equity Shares during a period of six (6) months preceding the date on which this Draft Letter of Offer is filed with Stock Exchange.
- All Equity Shares issued since the date of incorporation of our Company are fully paid up.
- Equity Shares offered under this Issue shall be fully paid-up at the date of allotment of the Equity Shares.
- Our Company has not issued any securities in the preceding one year from the date of filing of this Draft Letter of Offer.

10. The Promoter, Promoter Group, Directors and Lead Manager to the Issue have not entered into any buy-back, stand by or similar arrangements for any of the securities being issued through this Draft Letter of Offer.
11. Our Company presently does not intend to alter its capital structure for a period of six months from the date of the opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly into Equity Shares) whether preferential or otherwise except that if our Company enters into acquisitions or joint ventures or if the business needs arise, it may, subject to necessary approvals, consider raising additional capital to fund such activity.
12. Shareholding of our Promoters:

Set forth below are the details of the build-up of shareholding of our Promoters

<b>MR. GAJRAJ SINGH</b>					
Date of Allotment / Transfer	Consideration	No. of Equity Shares	Face value per Share (Rs.)	Issue /Acquisition/ Transfer price (Rs.)	Nature of Transactions
01/11/2010	Cash	2,74,400	10	25	Transfer
30/06/2011	Cash	13,000	10	25	Transfer
31/07/2011	Cash	54,500	10	25	Transfer
25/10/2012	Cash	2,70,000	10	25	Transfer
12/11/2012	Consideration other than cash	18,35,700	10	Nil	Bonus issue (in the ratio of 3:1)
16/05/2014	Cash	7,48,000	10	25	Transfer
Total		31,95,600			

Our Promoter and Promoter Group have confirmed that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. Our Promoters and Promoter Group reserve their right to apply for additional Rights Equity Shares, either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for renunciation if any, made within the Promoter Group to another person forming part of the Promoter Group.

In addition to the subscription to the Rights Equity Shares as stated above, in case of Issue is undersubscribed, our Promoter and Promoter Group reserve their right to subscribe to additional Rights Equity Shares in the Issue up to the minimum subscription of 90% of the Issue subject to the condition that any circumstances the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in clause 42 of the Listing Agreement.

As a result of this subscription and consequent allotment, the Promoter & Promoter Group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above the current shareholding but will certainly not exceed 75% of the post issue paid share capital of our Company. This subscription and acquisition of additional Equity Shares by the Promoter and Promoter Group through this Issue, if any, will not result in change of control of the management of our Company and shall be exempt in terms of provision under Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

As such, other than meeting the requirements indicated in this section on “Objects of the Issue”, there is no other intention / purpose for this Issue, including any intention to delist the Company, even if, as a result of allotment to the Promoter & Promoter Group, in this Issue, the Promoter’s & Promoter Groups’ shareholding in our Company exceeds their current shareholding. The Promoter & Promoter Group shall subscribe to such unsubscribed portion as per the relevant provisions of the law.



Allotment to the Promoter & Promoter Group of any unsubscribed portion, over and above their entitlement shall be done in compliance with clause 42 of the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

Our Promoter and Promoter Group hold 20.58% of the paid up equity share capital of our Company and even if they were to subscribe to the entire rights issue their post issue shareholding would not exceed 75% of post issue equity share capital. Moreover our Promoter & Promoter Group have given an undertaking that in case due to the subscription by them to the unsubscribed portion, the post issue public shareholding in any circumstances in our Company would not fall below the specified limit of 25 % as stipulated in clause 42 of the Listing Agreement.

### 13. Shareholding pattern of our Company:

A: The following table presents the shareholding pattern of our Company as on 31<sup>st</sup> March, 2014

Category code	Category of Shareholder	Number of Share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percent age of (A+B) <sup>1</sup>	As a percent age of (A+B+C)	Number of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)= (VIII)/(IV)*100
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group<sup>2</sup></b>							
<b>1</b>	<b>Indian</b>							
(a)	Individuals/ Hindu Undivided Family	2	3195600	3195600	20.58	20.58	0	0
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00	0	0.00
(c)	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00	0	0.00
(e)	Any Others(Specify)	0	0	0	0.00	0.00	0	0.00
	<b>Sub Total(A)(1)</b>	<b>2</b>	<b>3195600</b>	<b>3195600</b>	<b>20.58</b>	<b>20.58</b>	<b>0</b>	<b>0.00</b>
<b>2</b>	<b>Foreign</b>							
A	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0	0	0	0
B	Bodies Corporate	0	0	0	0	0	0	0
C	Institutions	0	0	0	0	0	0	0
D	Qualified Foreign Investor	0	0	0	0	0	0	0
E	Any Others(Specify)	0	0	0	0	0	0	0
	<b>Sub Total(A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)=</b>	<b>2</b>	<b>3195600</b>	<b>3195600</b>	<b>20.58</b>	<b>20.58</b>	<b>0</b>	<b>0.00</b>

Category code	Category of Shareholder	Number of Share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percent age of (A+B) <sup>1</sup>	As a percent age of (A+B+C)	Number of shares	As a percentage
	(A)(1)+(A)(2)							
<b>(B)</b>	<b>Public shareholding</b>							
<b>1</b>	<b>Institutions</b>							
(a)	Mutual Funds/ UTI	0	0	0	0	0	0	0
(b)	Financial Institutions / Banks	0	0	0	0	0	0	0
(c)	Central Government/ State Government(s)	0	0	0	0	0	0	0
(d)	Venture Capital Funds	0	0	0	0	0	0	0
(e)	Insurance Companies	0	0	0	0	0	0	0
(f)	Foreign Institutional Investors	0	0	0	0	0	0	0
(g)	Foreign Venture Capital Investors	0	0	0	0	0	0	0
(h)	Qualified Foreign Investor	0	0	0	0	0	0	0
(i)	Any Other (specify)	0	0	0	0	0	0	0
	<b>Sub-Total (B)(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>B 2</b>	<b>Non-institutions</b>							
(a)	Bodies Corporate	39	2225100	1423100	14.33	14.33	0	0.00
(b)	Individuals							
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	231	1282200	1241400	8.26	8.26	0	0
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	154	7383000	6679000	47.55	47.55	0	0.00
(c)	Qualified Foreign Investor	0	0	0	0.00	0.00	0	0.00
(d)	Any Other (specify)							
	Market Maker	1	231000	231000	1.49	1.49	0	0
	Clearing Member	12	399000	399000	2.57	2.57	0	0
	HUF	50	810500	810500	5.22	5.22	0	0.00
	<b>Sub-Total (B)(2)</b>	<b>487</b>	<b>12330800</b>	<b>10784000</b>	<b>79.42</b>	<b>79.42</b>	<b>0</b>	<b>0.00</b>
<b>(B)</b>	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>487</b>	<b>12330800</b>	<b>10784000</b>	<b>79.42</b>	<b>79.42</b>	<b>0</b>	<b>0.00</b>

Category code	Category of Shareholder	Number of Share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percent age of (A+B) <sup>1</sup>	As a percent age of (A+B+C)	Number of shares	As a percentage
	<b>TOTAL (A)+(B)</b>	<b>489</b>	<b>15526400</b>	<b>13979600</b>	<b>100.00</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>
(C)	Shares held by Custodians and against which Depository Receipts have been issued							
1	Promoter and Promoter Group	0	0	0	0	0	0	0
2	Public	0	0	0	0	0	0	0
	<b>Sub-Total (C )</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>489</b>	<b>15526400</b>	<b>13979600</b>	<b>100.00</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>

#### B: Shareholding of our Promoters and Promoter Group

The table below presents the current shareholding pattern of our Promoters and Promoter Group (individuals and companies) as per clause 37 of the SME Listing Agreement.

Sr. No.	Name of the shareholder	Details of Shares held		Encumbered shares (*)			Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
		Number of shares held	As a % of grand total (A) +(B) +( C )	No.	As a percent age	As a % of grand total (A)+(B )+(C) of sub-clause (I)(a )	Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	As a % total number of convertible securities of the same class	
(I)	(II)	(III)	(IV)	(V)	(VI)=(V) / (III)*100	(VII)	(VIII)	(IX)	(X)	(XI)	(XII)
1	KIRTI .	748000	4.82	0	0	0	0	0	0	0	4.82
2	GAJ RAJ SINGH	2447600	15.76	0	0	0	0	0	0	0	15.76
<b>TOTAL</b>		<b>3195600</b>	<b>20.58</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20.58</b>

**C: Shareholding of persons belonging to the category 'Public' and holding more than 1% of our Equity Shares**

Sr. No.	Name of the shareholder	Number of shares held	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same class	
1	MANOJ SINGHAL	400000	2.58	0	0	0	0	2.58
2	TRIVIKRAM REAL EST DEVELOPERS & CONS. PVT LTD	400000	2.58	0	0	0	0	2.58
3	HYPE REALTORS PRIVATE LIMITED	400000	2.58	0	0	0	0	2.58
4	VINEET SECURITIES PVT LTD	303000	1.95	0	0	0	0	1.95
5	MRUNAL K PATEL	300000	1.93	0	0	0	0	1.93
6	BRIJESH K PATEL	300000	1.93	0	0	0	0	1.93
7	NARAYAN SECURITIES LTD	276000	1.78	0	0	0	0	1.78
8	R K STOCKHOLDING PVT. LTD	244000	1.57	0	0	0	0	1.57
9	CHETAN KUNVERJIBHAI THAKKAR	234000	1.51	0	0	0	0	1.51
10	KAILASH CHANDRA AGARWAL	200000	1.29	0	0	0	0	1.29
11	MANJU ANUP AGRAWAL	197000	1.27	0	0	0	0	1.27
12	ASHVIN VERMA	186000	1.20	0	0	0	0	1.20
13	BHUPINDER KAUR	176000	1.13	0	0	0	0	1.13
14	KULJEET KAUR	176000	1.13	0	0	0	0	1.13
15	GLOBE FINCAP LIMITED	170000	1.09	0	0	0	0	1.09
16	INTEGRATED MASTER SECURITIES (P) LTD.	168000	1.08	0	0	0	0	1.08
17	HARCHARAN SINGH	158000	1.02	0	0	0	0	1.02
<b>TOTAL</b>		<b>4288000</b>	<b>27.62</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27.62</b>

14. None of our Directors or Key Managerial Personnel hold Equity Shares in our Company, other than as follows:

Name of the shareholder	No. of Equity Shares	Pre-Issue percentage Shareholding
Gajraj Singh	31,95,600	20.58

## 15. Equity Shares held by top ten shareholders

(a) Our top ten shareholders and the number of Equity Shares held by them as on 12.09.2014 are as under:

S.No	Name of Shareholders	No of shares	% age of Pre-Issue Capital
1	GAJ RAJ SINGH	3195600	20.58
2	INTEGRATED MASTER SECURITIES (P) LTD.	682500	4.40
3	R K STOCKHOLDING PVT. LTD	523000	3.37
4	MEFCOM SECURITIES LIMITED	337000	2.17
5	SOUTH ASIAN STOCKS LIMITED	336500	2.17
6	MRUNAL K PATEL	300000	1.93
7	BRIJESH K PATEL	300000	1.93
8	RIVER HIGH RIGFHT SHARE BROKERS PRIVATE LIMITED	258500	1.66
9	ADROIT FIN SER PVT LTD	255800	1.65
10	SIDHIMAN VYAPAR PRIVATE LIMITED	240500	1.55
<b>TOTAL</b>		<b>6429400</b>	<b>41.41</b>

(b) Our top ten shareholders and the number of Equity Shares held by them as on 05.09.2014 are as under:

S.No	Name of Shareholders	No of shares	% age of Pre-Issue Capital
1	GAJ RAJ SINGH	3195600	20.58
2	INTEGRATED MASTER SECURITIES (P) LTD.	668500	4.31
3	R K STOCKHOLDING PVT. LTD	523000	3.37
4	MEFCOM SECURITIES LIMITED	338500	2.18
5	SOUTH ASIAN STOCKS LIMITED	337000	2.17
6	MRUNAL K PATEL	300000	1.93
7	BRIJESH K PATEL	300000	1.93
8	RIVER HIGH RIGFHT SHARE BROKERS PRIVATE LIMITED	258500	1.66
9	ADROIT FIN SER PVT LTD	255800	1.65
10	SIDHIMAN VYAPAR PRIVATE LIMITED	240500	1.55
<b>TOTAL</b>		<b>6417400</b>	<b>41.33</b>

(c) Our top ten shareholders and the number of Equity Shares held by them two years prior to date of the Draft Letter of Offer are as under:

S No.	Name of shareholder	No. of Shares	% age of then pre-Issue capital
1	Shubha Jhindal	203600	38.41
2	Vijay Jhindal	70800	13.36
3	Avisha Credit Capital Limited	122807	23.17
4	Master Finlease Limited	64693	12.20
5	Mayur Developments and Leasing Limited	5000	0.94
6	Rajinder Kumar	100	0.02
7	Vishnu Garg	100	0.02
	<b>Total</b>	<b>467100</b>	<b>88.12</b>

16. Our Company has not raised any bridge loans against the proceeds of this Issue.
17. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in paragraph on "Basis of Allotment" on page 128 of this draft Letter of Offer.
18. Our Company has not issued any Equity Shares out of revaluation reserves and not issued any bonus shares out of capitalization of revaluation reserves.
19. Lead Manager to the Issue viz. First Overseas Capital Limited does not hold any Equity Shares of our Company.
20. Our Company has not revalued its assets since incorporation.
21. There will be only one denomination of the Equity Shares of our Company unless otherwise permitted by law, our Company shall comply with such disclosure, and accounting norms as may be specified by SEBI from time to time.
22. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Draft Letter of Offer with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
23. Except as disclosed in the Draft Letter of Offer, our Company presently does not have any intention or proposal to alter its capital structure for a period of six (6) months from the date of opening of the Issue, by way of spilt/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise. However, during such period or a later date, it may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by its Board of Directors to be in the interest of our Company.
24. At any given point of time, there shall be only one denomination for a class of Equity Shares of our Company.
25. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed Issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
26. No payment, direct, indirect in the nature of discount, commission, and allowance, or otherwise shall be made either by us or by our Promoters to the persons who receive allotments, if any, in this Issue.
27. Our Company has 329 members as on 12.09.2014.

## OBJECTS OF THE ISSUE

The objects of the Issue are to finance our business expansion plans.

The objects of the Issue are as stated below:

1. To finance the estimated expenditure on Sports i.e Archery Documentary & Training Album
2. Event management - Voice of Delhi
3. To Purchase the low budget Hollywood movie to distribute in India
4. To Meet the expenses of the Issue

The main objects of our Memorandum of Association permits us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Issue. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution.

Our funding requirements are dependent on a number of factors which may not be in the control of our management, changes in our financial condition and current commercial conditions. Such factors may entail rescheduling and / or revising the planned expenditure and funding requirement and increasing or decreasing the expenditure for a particular purpose from the planned expenditure.

*Our requirement of funds and means of finance are as under:*

### Fund Requirement:

The intended use of the proceeds of the Issue is as under: -

Particulars	(Rs. In Lacs)
	Proposed Objects
To finance the estimated expenditure on Sports i.e Archery Documentary & Training Album	200.00
Event management - Voice of Delhi	300.00
To Purchase the low budget Hollywood movie to distribute in India	260.00
Issue Expenses	16.32
Total	776.32

### MEANS OF FINANCE

Particulars	(Rs. In Lacs)
	Amount
Rights Issue	776.32
Internal Accruals	Nil
Total	776.32

The entire fund requirement towards the aforesaid Objects of the Issue is proposed to be funded through the proceeds from the Issue.

In the event of a shortfall in raising the requisite capital from the proceeds of the Issue, towards meeting the Objects of the Issue, the extent of the shortfall will be met by internal accruals and/or from fresh debt.

The Company proposes to meet the entire fund requirements for the proposed objects of the Issue from the Net Proceeds. Therefore, the Company is not required to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Issue

## DETAILS OF THE OBJECTS OF THE ISSUE

### I. To finance the estimated expenditure on Sports i.e. Archery Documentary & Training Album

Apart from making Entertainment Movies, we are targeting to make Documentary movies on a few sports and out of them we have picked the Archery as the prime one with an objective to promote this sport. The game of archery has got historical significance as all royals in the ancient days used to practice archery. Detailed accounts of training methodologies in early India concern archery, considered to be an essential martial skill in early India. Legendary figures like Drona, are depicted as masters in the art of archery. This sport is also an integral part of the official sports of Olympics.

We understand that India Inc and people of India are spending a lot on sports training and education and new generation is making the career in sports. To penetrate this opportunity, we are making a training guide in video in such a manner so that the public at large can learn how to play Archery, to improve skills, to make them understand the rules, methods and other information at one point. We shall take the help of experts of the field and with the help of trainees and modes, a documentary film shall be prepared and we shall sell this in the market.

We assume that this shall be an innovative move and shall be able to penetrate the upcoming market. We shall move by financing a company M/s Archery Clubs Pvt. Limited.

***Note:** Documentary Film is a type of film that is based on the real world and real people, depicting things as they are or telling about historical events in a supposedly truthful or objective manner. Company will finance to Company namely Archer Clubs Private Limited for making film on Sports i.e Archery Documentary & Training Album.*

### II. Event management - Voice of Delhi

We are planning to organize a singing competition for the public of Delhi and NCR (including Noida, Ghaziabad, Gurgaon, Sonipat, Bahadurgarh etc.). We will invite the entries from the mass people of Delhi NCR and a talent hunt shall be done. We shall advertise through radio, TV, pamphlet and banners etc. This shall be a competition with an entry fees and the finalist shall be rewarded. We shall organize this even through the DAY NIGHT EVENT MANAGEMENT PRIVATE LIMITED.

### III. To Purchase the low budget Hollywood movie to distribute in India

At present, we are preparing to acquire some Hollywood movies with an intention to redistribute them. Indian audiences have a hunger to watch films Hollywood Movies. It's a matter of prestige. There has always been a huge buzz factor for various Hollywood Movies like the The Amazing Spider Man, Divergent, Adventures of Tintin, which looks set to beat Bollywood Movies like RajKumar, Mai Tera Hero, Toon Pur Ka Hero etc as the highest animation grosser in India. The new generation is fond of Hollywood movies in English language. Watching the English movie has become a style statement and fashion even in Small town & cities of India.

Delhi being the Capital City of India & is a central location and strategic controlling place for distribution for entire north India, it is convenient to redistribute from Delhi. Here we find the opportunities in buying such movies.

### IV. TO MEET THE EXPENSES OF THE ISSUE

The total estimated expenses are Rs. 16.32 Lacs which is 2.10 % of Issue Size. The details of Issue expenses are tabulated below:

(Rs. In Lacs)		
No.	Particulars	Amount (Rs. In Lacs)
1.	Issue management fees including fees and reimbursements of selling commissions, brokerages, and payment to other intermediaries such as Legal Advisors, Registrars and other out of pocket expenses.	11.32



No.	Particulars	Amount (Rs. In Lacs)
2.	Printing & Stationery, Distribution, Postage, etc	3.50
3.	Advertisement & Marketing Expenses	1.50
<b>Total</b>		<b>16.32</b>

#### Proposed year-wise deployment of funds:

The overall cost of the proposed Project and the proposed year wise break up of deployment of funds are as under:

(Rs. In Lacs)

Particulars	FY 2014-15	FY 2015-16
To finance the estimated expenditure on Sports i.e Archery Documentary & Training Album	90.00	110.00
Event management - Voice of Delhi	175.00	125.00
To Purchase the low budget Hollywood movie to distribute in India	60.00	200
Issue Expenses	16.32	-
Unutilized portion	-	-
<b>Total</b>	<b>341.32</b>	<b>435.00</b>

#### Details of funds already deployed till date and sources of funds deployed

The funds deployed up to 31<sup>st</sup> August 2014 pursuant to the object of this Issue on the Project as certified by the Auditors of our Company, viz. M/s. Ranjan Gupta & Co, Chartered Accountants pursuant to their certificate dated 11<sup>th</sup> September, 2014 is given below:

(Rs. in Lacs)

Deployment of Funds	Amount
Project related	Nil
Issue Related Expenses	1.20
<b>Total</b>	<b>1.20</b>

(Rs. in Lacs)

Sources of Funds	Amount
Internal Accruals	1.20
Bank Finance	Nil
<b>Total</b>	<b>1.20</b>

#### APPRAISAL BY APPRAISING AGENCY

The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution.

#### SHORTFALL OF FUNDS

Any shortfall in meeting the Project cost will be met by way of internal accruals.

#### INTERIM USE OF FUNDS

The Company in accordance with compliance of section 27 of the Companies Act, 2013 and with the policies established by the Board, will have flexibility in deploying Issue proceeds received by us from the Issue during the interim period pending utilization for the Objects of the Issue as described above. The particular composition, timing and schedule of deployment of the Issue proceeds will be determined by us based upon the deployment of the projects. Pending utilization for the purposes described above, we intend to temporarily invest the funds from the Issue in interest bearing liquid instruments including deposits with banks and investments in mutual funds and

other financial products, such as principal protected funds, derivative linked debt instruments, other fixed and variable return instruments, listed debt instruments and rated debentures.

#### **MONITORING OF UTILIZATION OF FUNDS**

As the Net Proceeds of the Issue will be less than Rs. 50,000 Lacs, under the SEBI Regulations it is not mandatory for us to appoint a monitoring agency.

The management of the Company will monitor the utilization of funds raised through this Rights Issue. Pursuant to Clause 52 of the SME Listing Agreement, our Company shall on half-yearly basis disclose to the Audit Committee the applications of the proceeds of the Issue. On an annual basis, our Company shall prepare a statement of funds utilized for purposes other than stated in this Draft Letter of Offer and place it before the Audit Committee. Such disclosures shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the Statutory Auditors of our Company.

## BASIS FOR ISSUE PRICE

*Investors should read the following basis with the “Risk Factors” beginning on page 8 and the details about the “Business of our Company” and its “Financial Statements” included in this Draft Letter of Offer on page 57 & 85 respectively to get a more informed view before making any investment decisions.*

### QUALITATIVE FACTORS

Some of the qualitative factors which form the basis for computing the Issue Price are:

#### Experienced Directors and Management Team

Our Directors and business management group are experienced within their respective specialized segments, as well as in the entertainment industry. Our Promoter Mr. Gaj Raj Singh with 10.5 years of experience will have a major role in the growth and development of our business. We also have senior professionals, as a part of our management team, who have domain knowledge and experience, having acquired and distributed content for many years. We believe that, our management team possesses an in-depth understanding of the Indian film industry, content and content exploitation, and is therefore well -positioned to focus on the continued expansion and strengthening of our Content Library and distribution network. Further, building on the existing team, our Company has inducted several experienced executives to drive the new media distribution business.

#### Strong Relationships in the Industry

As an established entity, in various aspects of the entertainment industry in India, we believe that we have managed to create, maintain and build our goodwill with other industry participants. We believe that this has led to repeated business transactions with known names in the industry for acquisition of contents. We have aggregated content rights across various segments including Hindi film content, regional language content, devotional content, music content and special interest content.

#### Established operations and proven track record.

We have established operations in film distribution and production operations and in the past we have been associated with esteemed projected which carves for over selves a niche in the industry.

### QUANTITATIVE FACTORS

Information presented in this section is derived from our restated financial statements certified by the Statutory Auditors of the Company.

#### 1. Basic Earning Per Equity Share (EPS) (on Face value of Rs. 10 per share)

Year	Earnings per Share (Rs.)	Weight
FY 2011-12	1.430	1
FY 2012-13	0.118	2
FY 2013-14	0.034	3
<b>Weighted Average</b>	<b>0.295</b>	

- EPS Calculations have been done in accordance with Accounting Standard 20-“Earning per Share” issued by the Institute of Chartered Accountants of India.
- Basic earnings per share are calculated by dividing the net profit after tax by the weighted average number of Equity Shares outstanding during the period. Weighted Average number of Equity Shares is the number of Equity Shares outstanding at the beginning of the year/period adjusted by the number of

Equity Shares issued during year/period multiplied by the time weighting factor. The time weighting factor is the number of days for which the specific shares are outstanding as a proportion of total number of days during the year.

- The weighted average number of Equity Shares outstanding during the period is adjusted for events of bonus issue.
- For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.

## 2. Price / Earnings Ratio (P/E) in relation to the Issue Price Rs. 10

- Based on fiscal year as on 31<sup>st</sup> March, 2014; at EPS of Rs. 0.034 as per Restated Financial Statements, the P/E ratio is 294.12.
- Based on weighted average EPS of Rs. 0.295 as per Restated Financial Statements, the P/E ratio is 33.94.
- Industry PE: 24.4

Industry	P/E
Highest	46.6
Lowest	5.5
Industry Composite	25.4

Source: Capital Market dated Aug 04-17, 2014;

## 3. Return on Net Worth

Year	RONW (%)	Weight
FY 2011-12	1.33%	1
FY 2012-13	0.52%	2
FY 2013-14	0.23%	3
<b>Weighted Average</b>	<b>0.51%</b>	

4. Minimum return on post Issue Net Worth to maintain the Pre-issue EPS at 31<sup>st</sup> March, 2014 is 0.26 %.

## 5. Net Asset Value per Equity Share

Sr. No.	Particulars	(Rs.)
a)	As on 31 <sup>st</sup> March, 2014	14.42
b)	After Issue	12.94
c)	Issue Price	10.00

## 6. Peer Group Comparison of Accounting Ratios

We are currently engaged in the business of production and distribution in Media & Entertainment sector and the peer group comparison of accounting ratio is as below:

Name of Company	Face Value (Rs.)	EPS (Rs.)	P/E Multiple	NAV (Rs.)	RONW (%)
Channel Nine Entertainment Limited	10	0.034	294.12	14.42	0.23%
Peer Group-					

Name of Company	Face Value (Rs.)	EPS (Rs.)	P/E Multiple	NAV (Rs.)	RONW (%)
Balaji Telefilms	2	1.5	46.6	65.1	0.6%
Sri Adhikari Brothers Television Network Limited	10	1.0	84.7	68.0	2.3%

Source: Capital Market dated Aug 04-17, 2014;

7. The face value of our shares is Rs.10/- per share and the Issue Price is of Rs. 10.00 per share is 1 time or at par of the face value.
8. The Company in consultation with the Lead Manager believes that the Issue Price of Rs. 10/- per share for the Rights Issue is justified in view of the above parameters. The investors may also want to peruse the risk factors and financials of the company including important profitability and return ratios, as set out in the Auditors' Report in the offer Document to have more informed view about the investment proposition.

## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors  
Channel Nine Entertainment Limited  
3/12, Ground Floor,  
Asaf Ali Road, New Delhi - 110002

Dear Sirs,

**Sub: Statement of possible tax benefits available to the Company and its shareholders on proposed Right Issue of Shares under the existing tax laws**

We hereby confirm that the enclosed Annexure, prepared by Channel Nine Entertainment Limited ('the Company'), states the possible tax benefits available to the Company and the shareholders of the Company under the Income-tax Act, 1961 ('IT Act') and the Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions which, based on business imperatives which the Company may face in the future, the Company may or may not fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

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

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

The contents of the 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.

No assurance is given that the revenue authorities / courts will concur with the views expressed herein. The views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We would not assume responsibility to update the view, consequence to such change. We shall not be liable to Channel Nine Entertainment Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct.

Thanking you,  
Yours faithfully,  
**For Ranjan Gupta & Co.**  
Chartered Accountants  
FRN: 17319N

Sd/-  
CA Ranjan Gupta  
Proprietor  
M. No. 082408  
Place: New Delhi  
Date: 11<sup>th</sup> June 2014

## ANNEXURE

### STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO OUR COMPANY AND ITS SHAREHOLDERS

#### **A) SPECIAL TAX BENEFITS AVAILABLE TO OUR COMPANY AND ITS SHAREHOLDERS**

##### **I. Special Benefits available to Our Company**

There are no special tax benefits available to the Company.

##### **II. Special Benefits available to the Shareholders of Our Company**

There are no special tax benefits available to the Equity Shareholders.

#### **B) OTHER GENERAL TAX BENEFITS TO THE COMPANY AND ITS SHAREHOLDERS**

The following tax benefits shall be available to the Company and its Shareholders under Direct tax law

**Under the Income-Tax Act, 1961 (“the Act”):**

##### **I. Benefits available to the Company**

###### **1. Depreciation**

As per the provisions of Section 32 of the Act, the Company is eligible to claim depreciation on tangible and specified intangible assets as explained in the said section and the relevant Income Tax rules there under.

###### **2. Dividend Income**

Dividend income, if any, received by the Company from its investment in shares of another domestic Company will be exempt from tax under Section 10(34) read with Section 115-O of the Income Tax Act, 1961.

###### **3. Income from Mutual Funds / Units**

As per section 10(35) of the Act, the following income shall be exempt in the hands of the Company:

Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or

Income received in respect of units from the Administrator of the specified undertaking; or

Income received in respect of units from the specified company.

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

For this purpose (i) “Administrator” means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) “Specified Company” means a company as referred to in section 2(h) of the said Act.

###### **4. Income from Long Term Capital Gain**

As per section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company.

For this purpose, “Equity Oriented Fund” means a fund -

(i) Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and

(ii) Which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

As per section 115JB, the Company will not be able to reduce the income to which the provisions of section 10(38)

of the Act apply while calculating “book profits” under the provisions of section 115JB of the Act and will be required to pay Minimum Alternative Tax as follows-

Book Profit	A.Y.-2013-14	A.Y.-2012-13
If book profit is less than or equal to Rs. 1 Crore	19.055%	19.055%
If book profit is more than Rs. 1 Crore	20.01%	20.01%

5. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible.

6. As per the provisions of Section 112 of the Income Tax Act, 1961, long-term capital gains as computed above that are not exempt under Section 10(38) of the Income Tax Act, 1961 would be subject to tax at a rate of 20 percent (plus applicable surcharge plus education cess plus secondary and higher education cess). However, as per the provision to Section 112(1), if the tax on long-term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge plus education cess plus secondary and higher education cess).

7. As per 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 a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a “long term specified asset” within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) By the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

8. As per section 111A of the Act, short-term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge plus education cess plus secondary and higher education cess)

## 9. Preliminary Expenses

Under Section 35D of the Act, the company will be entitled to the deduction equal to 1/5th of the Preliminary expenditure of the nature specified in the said section, including expenditure incurred on present issue, such as Brokerage and other charges by way of amortization over a period of 5 successive years, subject to stipulated limits.

## 10. Credit for Minimum Alternate Taxes (“MAT”)

Under Section 115JAA (2A) of the Income Tax Act, 1961, tax credit shall be allowed in respect of any tax paid (MAT) under Section 115JB of the Income Tax Act, 1961 for any Assessment Year commencing on or after April 1, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income Tax Act, 1961. Such MAT credit shall not be available for set-off beyond 10 years immediately succeeding the year in which the MAT credit initially arose.



## **II. Benefits to the Resident Shareholders of the Company under the Income-Tax Act, 1961:**

As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax in the hands of the shareholders.

1. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

2. Under Section 10(38) of the Income Tax Act, 1961, long-term capital gains arising to a shareholder on transfer of equity shares in the company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to STT. However, the long-term capital gain of a shareholder being company shall be subject to income tax computation on book profit under section 115JB of the Income Tax, 1961.

3. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible.

4. As per section 112 of the Act, if the shares of the company are listed on a recognized stock exchange, taxable long-term capital gains, if any, on sale of the shares of the Company (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge plus education cess plus secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge plus education cess plus secondary and higher education cess) without indexation benefits, whichever is less.

5. As per 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 a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long-term specified asset" within a period of 6 months after the date of such transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately provided that the investment made in the long-term specified asset during any financial year does not exceed fifty Lac rupees. In such a case, the cost of such long-term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) By the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

7. Under Section 54F of the Income Tax Act, 1961 and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the Income Tax Act, 1961) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.

8. Under Section 111A of the Income Tax Act, 1961 and other relevant provisions of the Income Tax Act, 1961, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of

equity share in the company would be taxable at a rate of 15 percent (plus applicable surcharge plus education cess plus secondary and higher education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to STT. Short-term capital gains arising from transfer of shares in a Company, other than those covered by Section 111A of the Income Tax Act, 1961, would be subject to tax as calculated under the normal provisions of the Income Tax Act, 1961.

9. As per section 36(1)(xv) of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered in the course of the business will be eligible for deduction from the income chargeable under the head —Profits and Gains of Business or Profession if income arising from taxable securities transaction is included in such income.

### **III. Non-Resident Indians/Non-Resident Shareholders (Other than FIIs and Foreign Venture Capital Investors)**

1. Dividend income, if any, received by the Company from its investment in shares of another domestic company will be exempt from tax under Section 10(34) read with Section 115-O of the Income Tax Act, 1961. Income, if any, received on units of a Mutual Funds specified under Section 10(23D) of the Income Tax Act, 1961 will also be exempt from tax under Section 10(35) of the Income Tax Act, 1961, received on the shares of the Company is exempt from tax.

2. As per section 10(38) of the Act, long-term capital gains arising to the shareholders from the transfer of a long-term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.

3. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible.

4. As per 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 a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a “long-term specified asset” within a period of 6 months after the date of such transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately provided that the investment made in the long-term specified asset during any financial year does not exceed fifty Lac rupees. In such a case, the cost of such long-term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

A “long-term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) By the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

5. Under Section 54F of the Income Tax Act, 1961 and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the Income Tax Act, 1961) arising to an individual or a Hindu Undivided Family (‘HUF’) on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.

6. Under Section 111A of the Income Tax Act, 1961 and other relevant provisions of the Income Tax Act, 1961, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge plus education cess plus secondary and higher education cess) where such transaction of sale is entered on a recognized stock

exchange in India and is liable to STT. Short-term capital gains arising from transfer of shares in a company, other than those covered by Section 111A of the Income Tax Act, 1961, would be subject to tax as calculated under the normal provisions of the Income Tax Act, 1961.

7. Under section 115-C (e) of the Act, the Non-Resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Act viz. “Special Provisions Relating to Certain Incomes of Non-Residents” which are as follows:

(i) As per provisions of section 115D read with section 115E of the Act, where shares in the Company are acquired or subscribed to 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, shall (in cases not covered under section 10(38) of the Act) be concessional tax at the flat rate of 10% (plus applicable surcharge plus education cess plus secondary and higher education cess) (without indexation benefit but with protection against foreign exchange fluctuation).

(ii) As per 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 shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months from 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.

(iii) As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long-term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

(iv) As per section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for the assessment year in which he is first assessable as a Resident, under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

(v) As per section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provision of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XIIA shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance the other provisions of the Act.

8. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

#### **IV. Foreign Institutional Investors (FIIs)**

1. Dividend income, if any, received by the Company from its investment in shares of another domestic company will be exempt from tax under Section 10(34) read with Section 115-O of the Income Tax Act, 1961. Income, if any, received on units of a Mutual Funds specified under Section 10(23D) of the Income Tax Act, 1961 will also be exempt from tax under Section 10(35) of the Income Tax Act, 1961 received on the shares of the Company is exempt from tax.

2. As per section 10(38) of the Act, long-term capital gains arising to the FIIs from the transfer of a long-term capital asset being an equity share in the Company or a unit of equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the FIIs.

3. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the section 10(38) of the Act at the following rates:

**Nature of income & Rate of tax (%)**

Nature of Income	Rate of Tax (%)
Long-Term Capital Gain	10
Short-Term Capital Gain (Referred to Section 111A)	15
Short-Term Capital Gain (other than under section 111A)	30

The above tax rates have to be increased by the applicable surcharge, education cess, and secondary and higher education cess.

4. In case of long-term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

5. As per 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 a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a “long-term specified asset” within a period of 6 months after the date of such transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately provided that the investment made in the long-term specified asset during any financial year does not exceed fifty Lac rupees. In such a case, the cost of such long-term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

A “long-term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) By the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

6. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

7. However, where the equity shares form a part of its stock-in-trade, any income realized in the disposition of such equity shares may be treated as business profits, taxable in accordance with the DTAA between India and the country of tax residence of the FII. The nature of the equity shares held by the FII is usually determined on the basis of the substantial nature of the transactions, the manner of maintaining books of account, the magnitude of purchases, sales and the ratio between purchases and sales and the holding etc. If the income realized from the disposition of equity shares is chargeable to tax in India as business income, FII's could claim, STT paid on purchase/sale of equity shares as allowable business expenditure. Business profits may be subject to applicable Tax Laws.

**V. Venture Capital Companies/Funds**

1. Under Section 10(23FB) of the Income Tax Act, 1961, any income of Venture Capital company / funds (set up to raise funds for investment in venture capital undertaking notified in this behalf) registered with the Securities and Exchange Board of India would be exempt from income tax, subject to conditions specified therein. As per Section 115U of the Income Tax Act, 1961, any income derived by a person from his investment in venture capital companies / funds would be taxable in the hands of the person making an investment in the same manner as if it

were the income received by such person had the investments been made directly in the venture capital undertaking.

## **VI. Mutual Funds**

1. As per Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

### **Under the Wealth Tax Act, 1957**

#### **Benefits to shareholders of the Company**

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

#### **Tax Treaty Benefits**

An investor has an option to be governed by the provisions of the Income Tax Act, 1967 or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

#### **Notes:**

- The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares;
- The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India as amended from time to time. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws;
- This Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue;
- 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 Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and
- The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders.

## SECTION IV

### ABOUT OUR COMPANY

#### INDUSTRY OVERVIEW

*(The information in this chapter has been extracted from publicly available documents prepared by various sources etc. This data has not been prepared or independently verified by us or the Lead Manager or any of their or our respective affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in the section titled “Risk Factors” on page 8 of this Draft Letter of Offer. Accordingly, investment decisions should not be based on such information)*

#### The Indian Economy

India is the world’s largest democracy in terms of population with Gross Domestic Production (GDP) of US\$ 4,060 billion in 2010 in purchasing power parity (PPP) terms. This makes India the fifth largest economy in the world after the European Union, the United States of America, China and Japan in PPP terms, (Source: CIA World Factbook). India is also amongst the fastest growing economies globally and its real GDP has grown at an average compounded rate of 8.4% per annum during the last five years up to FY 2011. (Source- Central Statistics Office, Government of India)

#### OVERVIEW OF THE INDIAN MEDIA & ENTERTAINMENT INDUSTRY

The Indian M&E industry grew from INR 652 billion in 2010 to INR 728 billion in 2011, registering an overall growth of 12 percent. Going forward, the sector is projected to grow at a healthy CAGR of 14.9 percent to reach INR 1,457 billion by 2016.

#### Television

Television is the largest medium for media delivery in India in terms of revenue, representing around 45 percent of the total media industry. The TV industry continues to have headroom for further growth as television penetration in India is still at approximately 60 percent of total households. India continues to be the third largest TV market after USA and China with 146 million television households. Cable and Satellite (C&S) penetration of television households is close to 801 percent, with DTH driving a significant part of the growth in the last 12 months. With the impending digitization of all analog cable subscribers imminent, penetration level of digital households is expected to increase significantly, going forward. The over-all television industry was estimated to be INR 329 billion in 2011, and is expected to grow at a CAGR of 17 percent over 2011-16, to reach INR 735 billion in 2016. The share of subscription to the total industry revenue is expected to increase from 65 percent in 2011 to 69 percent in 2016.

TV Industry size



#### Snapshot of the TV industry value chain

The TV industry value chain consists of content production, broadcasting, and distribution.



## TV Industry Growth Drivers

Television industry unable to match global counter parts in revenue and profits but potential for growth

India is one of the largest media consuming markets in the world; however, the size and scale of industry is limited when compared with global M&E Industry. Majority of companies are still small in size or profits when compared to other growing sectors like Retail, Telecom or Information Technology. However, the medium has many drivers in place for growth in the years ahead. India is the only country in the world with 88 million non TV HHs indicating the potential for growth in the market. There are still more than 250 channels awaiting approval as there is growing optimism in the industry. There will be great demand for satellite bandwidth with the introduction of HD channels, the HITS platform, existing DTH channel expansion plans, new channel launches, and VSAT services. The consumers in India are less amenable to paying for content, compared to counterparts in other countries representing a gap which can be addressed. In advertising, only 10 percent of advertisers on print advertise on television currently and a portion of the remaining 90 percent still could be tapped for further growth of the medium. (Source: FICCI- KPMG Report 2011).



## DTH - strong growth likely to continue due to digitization

The DTH segment continued to expand in India, reaching a gross subscriber base of around 44 million at the end of 2011. On a net basis, this is estimated to translate into a subscriber base of 37 million. This represents a 31 percent penetration of DTH within the C&S subscriber base, compared to 26 percent in 2010. Despite strong growth, DTH saw a relative slowdown towards the later part of the year. Discussions indicate that a decrease in free viewing period offers across industry players, leading to a correction in demand, may have partially contributed to the slowdown. Going forward, while players continue to face transponder capacity constraints, the digitization mandate, leading to increasing penetration of digital platforms, is expected to provide a significant opportunity for DTH growth.

## Upside potential not only from penetration, but also from TV viewing time

Average television viewing time in India continues to be low vis-a-vis developed economies. Thus, there is potential for growth not only in terms of penetration / reach, but also in terms of viewing time. Time spent watching TV in India is significantly lower than developed economies. The average time spent on TV by an individual in India is around 150 minutes per day - it has the potential to go up to 200+ minutes with digitization providing more accessibility to content, as well as evolved marketing wooing audiences for higher engagement.

Television viewing time (2011)



## Competition leading to increasing content and distribution costs

In the current scenario, broadcasters are vying for a share of viewer eyeballs, in order to chase ad spends. Fragmentation of viewership ratings and excess capacity are forcing players to incur high marketing, content and distribution costs to stay competitive. Production costs are estimated to have gone up by 10-15 percent. (Source: FICCI- KPMG Report 2011).

Acquiring content, whether it is sports' rights, movie rights, reality shows and even the basic daily fiction shows, at a competitive price has become challenging. A box office hit can command anywhere between INR 15-25 Crores from satellite rights, which for certain movies covers more than half of the entire production budget. This has gone up considerably in comparison to acquisition costs three years back, for example, the highest satellite rights for any film in 2007 was sold for INR 10 Crs indicating a 50-150 percent increase. (Source: FICCI- KPMG Report 2011).

This increase in cost is pushing up breakeven levels. Although a television channel can be launched with a relatively low initial capital expenditure, challenges lie in acquiring the broadcasting license, securing prime slots in television bands, and delivering content that result in strong viewership – factors that determine the channel's ability to earn advertising and subscription revenues and tide over the losses initially when advertising revenues are still not adequate. (Source: FICCI- KPMG Report 2011).

## Films

In terms of revenues, Indian film industry is the second largest in the world after Hollywood. And it is the largest in terms of no. of films produced & tickets sold. 2010 was a challenging year for the Indian film industry as most films failed to create a mark at the box office. The Indian film industry was estimated to be INR 83.3 billion in 2010, indicating a decline of 6.7 percent in overall industry revenues vis-à-vis 2009. The industry believes that lack of quality content led to an overall drop in occupancy levels and box office collections. While overseas theatrical revenues experienced some decline; it was the home video segment that witnessed a steep fall in revenues. **Cable and Satellite rights experienced a healthy growth of 33 percent owing to growing demand from broadcasters.** Ancillary revenue streams i.e. merchandise, in-film marketing etc. also witnessed a growth of 15 percent over 2009. (Source: FICCI- KPMG Report 2011).



## Segment-wise break-up of revenues for the Indian Film Industry

Size of the Indian film industry											
Film Industry (INR bn)	2007	2008	2009	2010	CAGR (2007-10)	2011p	2012p	2013p	2014p	2015p	CAGR (2010-14)
Domestic Theatrical	71.5	80.2	88.5	82.0	-4.8%	87.4	72.2	79.2	87.0	94.9	8.9%
Overseas Theatrical	8.7	9.8	8.8	6.6	-8.8%	8.7	7.2	7.9	8.7	9.5	7.3%
Home Video	3.3	3.8	4.3	2.3	-11.0%	2.5	2.6	2.8	2.9	3.0	5.0%
Cable & Satellite Rights	6.2	7.1	8.3	8.3	10.2%	9.8	11.0	12.5	14.5	16.0	14.8%
Ancillary Revenue Streams	2.9	3.5	3.5	4.1	11.4%	4.7	5.4	6.2	7.1	8.2	15.0%
<b>Total Industry Size</b>	<b>92.7</b>	<b>104.4</b>	<b>103.3</b>	<b>103.3</b>	<b>-3.5%</b>	<b>103.9</b>	<b>98.4</b>	<b>108.6</b>	<b>120.1</b>	<b>132.1</b>	<b>9.4%</b>

Source: KPMG analysis and industry interviews

## C. New Media

The internet has had a profound effect on consumers' viewing habits and the proliferation of devices is altering their media and entertainment consumption behavior. While the traditional media offered passive consumption, new media facilitates interactivity. A key aspect of new media is the shift in focus from functional innovation to humanization of 65 technology, bringing the ability to connect with consumers in more meaningful ways. (Source: *FICCI- KPMG Report 2011*).

Americans now spend as many hours online as they do in front of their TV screens. The key screen has shifted from the TV screen to the computer screen, and as media and entertainment consumption on mobile and tablets proliferates, the next key screen will be the one you hold in your hand. (Source: *FICCI- KPMG Report 2011*).

Region	Television households	Internet users	Mobile
Global	1.2 billion (2009) <sup>a</sup>	1.9 billion <sup>a</sup>	5.3 billion mobile subscribers <sup>a</sup>
US	115.9 mn (Sep 2010) <sup>a</sup>	245 million <sup>a</sup>	292.8 million mobile phones (June 2010) <sup>a</sup>
India	134 million <sup>a</sup>	81 million <sup>a</sup>	771.2 million mobile phones and 549.7 million active mobile subscribers <sup>a</sup>

The cost of network access and handsets is falling, penetration of wireless networks is increasing and India's young population is demonstrating a huge appetite for digital content. With a rapidly expanding new media universe, companies are recognizing that new media technologies offer better engagement with consumers, and are increasing their investment in this space. (Source: *FICCI- KPMG Report 2011*).

Key themes for New Media in India are:

- The Telecommunications industry
- Mobile phones in the spotlight
- Multiple device usage to take off in India:
- Explosion of content:
- Monetization of online content

## D. Music

Indian music industry is estimated to be worth INR 8.53 billion in 2010 registering a growth of 9.64 percent over 2009. The industry witnessed a 28 percent decline in sales of physical music i.e. sales via compact discs (CDs) and other physical forms netted by a significant jump of 57 percent in digital music consumed either via download or through streaming, from internet sites and via mobile phones. (Source: *FICCI- KPMG Report 2011*).

Robust growth of few players was a result of the creative initiatives taken to approach the market and manage delivery of music content. Some like Universal Music tied up with telecom companies like Reliance, resulting in an almost 75 percent growth in their digital revenues in the year 2010 while others like Saregama went online to register a growth of 19 percent for the nine months ended December 31, 2010, over its revenue for the same period in 2009. (Source: *FICCI- KPMG Report 2011*).

Revenue streams (INR billion)	2007	2008	2009	2010	CAGR (2007-10)	2011p	2012p	2013p	2014p	2015p	CAGR (2010-15)
Physical	5.6	4.9	4.5	3.2	-17%	2.8	2.8	1.7	1.5	1.2	-18%
Digital	1.4	1.9	2.8	4.2	42%	5.2	7.3	9.1	11.9	14.8	29%
Radio and Television	0.3	0.4	0.5	0.7	29%	0.8	0.8	1.0	1.1	1.4	15%
Public performance	0.1	0.2	0.2	0.5	61%	0.6	0.8	0.9	1.1	1.4	22%
<b>Total</b>	<b>7.4</b>	<b>7.3</b>	<b>7.8</b>	<b>8.5</b>	<b>9%</b>	<b>9.8</b>	<b>10.9</b>	<b>12.7</b>	<b>15.6</b>	<b>18.7</b>	<b>17%</b>

Source: KPMG analysis and industry interviews

#### Overall industry size (INR billion)

Overall Industry size (INR Billion) (For Calendar Years)	2007	2008	2009	2010	2011	Growth in 2011 over 2010	2012P	2013P	2014P	2015P	2016P	CAGR (2011-16)
TV	211.0	241.0	257.0	297.0	329.0	10.8%	380.0	435.0	514.0	618.0	735.0	17%
Print	160.0	172.0	175.2	192.9	208.8	8.3%	226.0	246.8	270.0	294.9	323.4	9%
Film	92.7	104.4	89.3	83.3	92.9	11.5%	100.0	109.7	121.1	134.5	150.3	10%
Radio	7.4	8.4	8.3	10.0	11.5	15.0%	13.0	16.0	20.0	24.0	29.5	21%
Music	7.4	7.4	7.8	8.6	9.0	4.7%	10.0	11.3	13.1	15.4	18.2	15%
OOH	14.0	16.1	13.7	16.5	17.8	7.6%	19.5	21.5	23.6	26.0	29.0	10%
Animation and VFX	14.0	17.5	20.1	23.6	31.0	31.2%	36.3	43.0	51.1	61.0	69.0	17%
Gaming	4.0	7.0	8.0	10.0	13.0	30.0%	18.0	23.0	29.0	37.0	46.0	29%
Digital Advertising	4.0	6.0	8.0	10.0	15.4	54.0%	19.9	25.8	33.5	43.7	57.0	30%
<b>Total</b>	<b>514</b>	<b>580</b>	<b>587</b>	<b>652</b>	<b>728</b>	<b>11.7%</b>	<b>823</b>	<b>932</b>	<b>1076</b>	<b>1254</b>	<b>1457</b>	<b>14.9%</b>

## OUR BUSINESS

*In this section, unless the context otherwise requires, a reference to "we", "us" and "our" refers to Channel Nine Entertainment Limited. Unless otherwise stated or the context otherwise requires, the financial information used in this section is derived from our restated financial information. This section should be read together with "Risk Factors" on page 8 and "Industry Overview" on page 52.*

### Overview

#### BUSINESS OVERVIEW

Our Company was originally incorporated in New Delhi as "Channel Nine Entertainment Limited" on 25<sup>th</sup> July, 2002 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana.

We are engaged in the business of production, distribution television serials, films, corporate films, feature films, documentaries, and marketing of sports and entertainment events. We are outsourcing the processing services like content development, multi-media, editing and sound recording from a Media Development Centre based at B-20, Sector-57, Noida - 201 301.

Our company believe and invest in multi dimensional cinemas from all around the world some of them include American Desi, Agni Pankh, Amy's Orgasm, and Chameli etc. Further, we are also associated with documentary films and other creative activities.

We have been associated with following movies as distributors for various territories of India.

- |                                   |   |
|-----------------------------------|---|
| - American Desi                   | ( Hinglish )  |
| - Green Card Fever                | ( Hinglish )  |
| - Where is the party yaar         | ( Hinglish )  |
| - Ek Din 24 Ghante                | ( Hindi )-(Produced by one of our erstwhile director) |
| - Freaky Chakra                   | ( Hinglish )  |
| - Insomina                        | (English)   |
| - American Pie                    | ( English )   |
| - Amy Orgasm                      | ( English )   |
| - Chameli                         | ( Hindi )   |
| - God Only Knows                  | ( English )   |
| - Paisa Wasool                    | ( Hindi )   |
| - Swaraj                          | ( Hindi )   |
| - Everybody says I'M fine         | ( English )   |
| - Rules Pyar ka Super Hit Formula | ( Hindi )   |
| - Fun2shh                         | ( Hindi )   |
| - Agni Pankh                      | ( Hindi )   |
| - Shadi Ka Laddoo                 | ( Hindi )   |
| - Silence the Dressing Room       | ( Hindi & English )                                   |
| - Wah Wah Ram ji                  | ( Hindi )   |

We have also been actively associated with following the TV Serials, contests like:

- Terra Quiz
- Documentary Films
- Indian legends
- Khamoshi Kyon
- Talk Positive
- Other Creative Activities like Ad Films, Corporate films etc.

Our Company came out with its maiden public Issue in the year 2013 and issued 46,68,000 Equity Shares of the face value Rs. 10 each at a price of Rs. 25 per share aggregating to Rs. 1167.00 Lacs. The objects of the issue and the respective utilizations as on 31<sup>st</sup> March 2013 & 31<sup>st</sup> March, 2014 are as follows

Particulars	Proposed Objects	Actual Utilizations as on 31 <sup>st</sup> March, 2013	Actual Utilizations as on 31 <sup>st</sup> March, 2014
To finance the estimated expenditure of production of two (2) films	700.00	-	480.00
Strengthening Distribution operations	350.00	-	311.11
Brand Building	60.00	-	54.19
Issue Expenses	57.00	29.30	29.30
Unutilized portion	NA	1142.20	296.90
<b>Total</b>	<b>1167.00</b>	<b>1171.50</b>	<b>1171.50</b>

We commenced our film production business with production two small budget films one in Action genre and another in Cameo genre. Both the movies are still untitled and are expected to be announced very shortly. The plot of the action film is revolves around love triangles, family ties, sacrifice, corrupt politicians, kidnappers, conniving villains. The second movie is a comedy which is a story of 2 friend and their dreams. We have already reached advance stage of in the production of both the movies and are planning to release our slate of movies before festive season.

In addition to the production of movies we have already strengthen our distribution operation by tie ups in various territories which are critical for box office success of our movies and also for the movies /contents we have acquired or shall be acquiring for theatrical distribution following a portfolio approach to mitigate the risk of possible product failure at the box office.

#### ***Our Strengths:***

We derive our strengths from following factors:

#### **Experienced Directors and Management Team**

Our Directors and business management group are experienced within their respective specialized segments, as well as in the entertainment industry. Our Promoter Mr. Gaj Raj Singh with 10.5 years of experience will have a major role in the growth and development of our business. We also have senior professionals, as a part of our management team, who have domain knowledge and experience, having acquired and distributed content for many years. We believe that, our management team possesses an in-depth understanding of the Indian film industry, content and content exploitation, and is therefore well -positioned to focus on the continued expansion

and strengthening of our Content Library and distribution network. Further, building on the existing team, our Company has inducted several experienced executives to drive the new media distribution business.

### **Strong Relationships in the Industry**

As an established entity, in various aspects of the entertainment industry in India, we believe that we have managed to create, maintain and build our goodwill with other industry participants. We believe that this has led to repeated business transactions with known names in the industry for acquisition of contents. We have aggregated content rights across various segments including Hindi film content, regional language content, devotional content, music content and special interest content.

### **Diversified Distribution Platforms**

We have a presence in various distribution platforms such as television, home entertainment, digital new media and other media. We believe that our distribution reach is a key advantage, as we are able to offer “anytime, anywhere” entertainment to our consumers. This gives us a direct insight to the consumer preferences and consumption patterns across platforms helping us to cross-leverage these insights. This enhances our ability to monetize our content across various distribution platforms.

### **Established operations and proven track record.**

We have established operations in film distribution and production operations and in the past we have been associated with esteemed projected which carves for over selves a niche in the industry.

### ***Business Strategy:***

Our overall strategy is structured around our content library and its successful exploitation to ensure that it can be monetized through diversified platforms on a worldwide basis. Our strategy is designed to address predictability, scalability and sustainability, ultimately resulting in profitability. We intend to pursue the following strategies in order to consolidate our position and grow further:

### **Scaling up Our content library driven by return on Investment**

Our vision is to be a leading entertainment content aggregator through our acquisitions that has the ability to exploit such content over various existing and emerging distribution platforms. Based on our view of entertainment consumption patterns and driven by return on investment, our strategy is to focus on acquiring additional content as follows:

#### ***i. Perpetual Rights:***

Our aim is, to own the complete intellectual property rights in a film by acquiring perpetual rights, as well as, to monetize them over a maximum number of distribution platforms. We believe that this will contribute to the long term sustainability of our business model. Our experience suggests that the monetization value of the rights keeps pace with average media inflation. As these rights keep revolving after every cycle, typically five years, the management believes that they will contribute to a stable and predictable revenue and profit stream.

#### ***ii. Television broadcast rights and New Media Rights including Music based rights:***

Over the last few years television has emerged as a key monetization medium for films. Accordingly, our strategy is to further strengthen our competitive advantage by building on and augmenting our Aggregation Rights for television broadcast and further leveraging our portfolio approach. Based on our view of entertainment consumption patterns emerging over the next few years, we intend to expand further into new media specific content including expanding our presence in the music business to enhance our scale in this segment. The diverse additions to our Content Library, each year, is the result of a planned content acquisition strategy and is based on agreements that we have entered into with various production houses.

## Enhancing Monetization of our content library through existing and emerging media platforms

We intend to broad base our revenue streams by further increasing our distribution of our content through new media avenues, such as MVAS, internet, DTH, video on demand services and IPTV platforms. We believe that the growth of internet subscriber and mobile phone subscriber volumes, the growth of internet and mobile bandwidth, digital convergence, technological developments and the rise in popularity of entertainment consumption on mobile will be key growth drivers and will help us to diversify our revenue streams as well as better monetize our content library.

## Foray in to production of films

We intend to expand our production activity to produce films which will cater to every need of viewers in India and enhance our position as a leading production house with continuous innovation in process and better understanding of the viewership trend. In view of the rapid changing preferences in entertainment space domestically and internationally, we intend to build up capability of conceptualizing and producing films catering to every entertainment need for film viewers in terms of family drama, adventurous, romantic story, Sci-Fi, futuristic etc.

## BUSINESS ACTIVITIES

We are engaged in the business of production, marketing, distribution of television serials, films, corporate films, feature films, documentaries, and marketing of sports and entertainment events. We are outsourcing the processing services like content development, multi-media, editing and sound recording from a media development centre based at B-20, Sector-57, Noida - 201 301.

Some of the movies, which we have been associated as distributors for various territories in India are as below:



Portraying the **AMERICAN DESI** (American born confused Desi) film by the same name, which in fact represents the second generation Indian youth in America.



**Ek Din 24 Ghante** is inspired by 1998 German film Run Lola Run. The film revolves around a Father - Girl - guy relationship.



**Where is the party yaar** From their part - time jobs at an Indian restaurant to college life with the dueling cliques, crazy antics lead the audience on a pursuit for their true loves and the big party, cultural conflicts, romantic adventures, and family struggles arises in the comedic twist and turns of this movie.

**Freaky Chakra** is a 2003 Bollywood comedy-drama film directed by V. K. Prakash and Ziba Bhagwagar. The film stars Deepti Naval and Sachin Khedekar. The film was India's official entry for Toronto Reel Asian

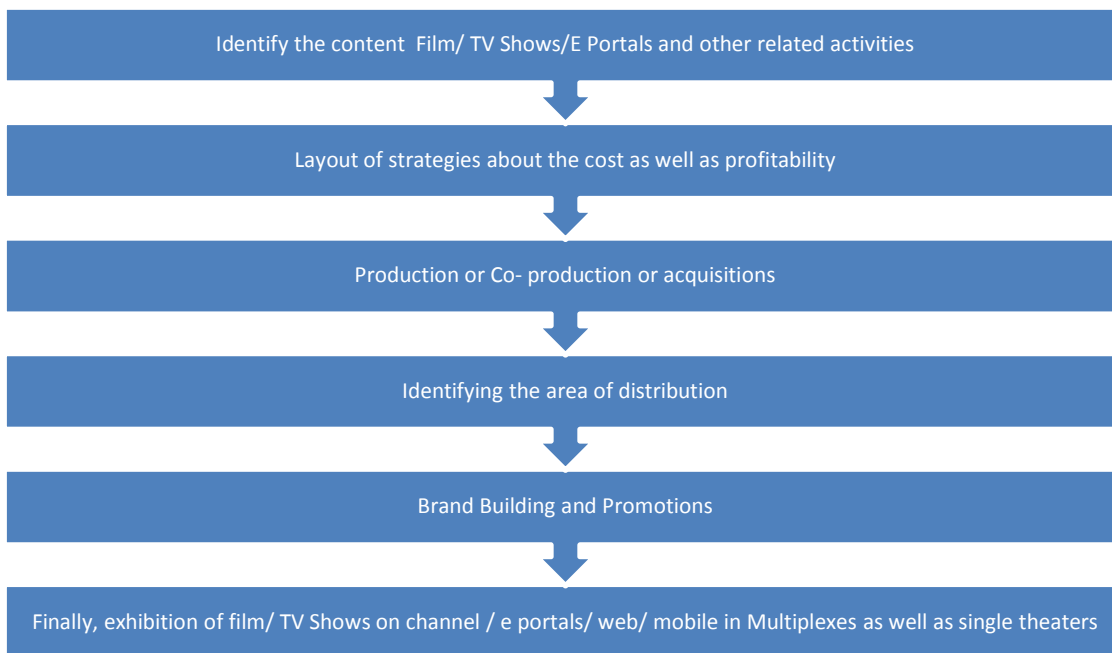


International Film Festival and received recognition by the International Federation of Film Critics at the at 2003 Mumbai International Film Festival



**Green Card Fever** is an independent film from 2003. It was produced by Net Effect Media and released worldwide following a series of film festival runs.

### Process Flow of Production and Distribution



### The process of production and distribution:

1. Content Film/ TV Shows/E Portals and other related activities
2. Layout of strategies about the cost as well as profitability
3. Production or Co-production
4. Distribution
5. Promotion
6. Exhibition

### COLLABORATIONS

The Company has so far not entered into any technical or financial collaboration agreement.

## UTILITIES

### Water

Water is required only for drinking and sanitary purposes and adequate water sources are available. The requirements are fully met at the existing premises.

### Power

The company does not require much power except the normal requirement of the Offices of the company for lighting, systems etc. Adequate power is available.

### Human Resources

The details of manpower employed as on 31<sup>st</sup> August, 2014 are as under:

Sr. no	Category	No. of employees
1.	Our producers	2
2.	Sales & Marketing	3
3.	Accounts, Administration & Finance	3
4.	Support Staff	3
5.	Company Secretary	1
	<b>TOTAL</b>	<b>12</b>

### Competition

The media & entertainment industry is getting more competitive with the increase in number of organized players as well there are more number of production houses coming up and one of the major reasons for that is no entry barriers. With a number of corporate houses diversifying into film production and distribution and liberalization of FDI norms in film industry the competition may significantly increase.

### Marketing Set-up and Marketing Strategy

Promotion and marketing of a film is an integral and essential part for the success of the film. The function of marketing and promotion is to bridge the gap between the audience and the film. It is to drive the filmgoers to buy the ticket of films and view them. It also provides information and creates excitement and demand in the trade for our films.

#### Pre-Release Marketing Strategy:

The objective of the pre-release strategy is to create awareness about the film produced within the industry and build hype about the film. This is achieved through various promotion tools as follows:

1. **Pre-Release** - This phase usually is a 15 to 30 days stretch and happens before the release of the film. Apart from strong television activity (Ad spots on channels);
2. **Release activity** - All marketing and promotional activity peaks during the week of release involving building lot of excitement around the concept of the film both through paid and unpaid publicity options. TV spots, entertainment page ads in newspapers, artist's interviews, special shows for the media, etc are some of the activities undertaken.
3. **Post release activity** - Depending on the performance of the film in the opening weekend the level of publicity to be maintained for the film in the post release weeks, is decided.

### Products/ Services provided by us

The product of the Company is mass entertainment in the form of films / tele-serials which are produced / distributed by us.



## EXPORT POSSIBILITY AND OBLIGATION

Our Company doesn't have any export obligation as we are not exporting any material.

## SWOT

### Strengths

- Integrated Business Model
- Experienced Management Team

### Weakness

- Revenue and profitability is directly linked to the exploitation and growth of our content.
- Rapid Technological changes
- No prediction or forecast of audience taste about the success of films/ TV shows etc.

### Opportunities

- Growing awareness among viewers/customers about new technologies.
- New phase of low budget movies/TV Shows etc.
- Increase in no. of channels and Multiplexes.

### Threats

- There are no entry barriers in our industry which puts us to the threat of competition from new entrants.
- Any change or shift of focus of Government policies may adversely impact our financials

## Intellectual Property

We have applied for registration of our corporate logo to the Registrar of Trademarks.

## Our Properties

Our Registered Office is located at 3/12, Ground Floor, Asaf Ali Road, New Delhi-110002. The details are as under:

Sr. No.	Location	Title (Leased /Owned/ Rental)	Agreement Valid from	Agreement Valid till
1.	3/12, Ground Floor, Asaf Ali Road, New Delhi-110002	Rental	01/03/2014	28/02/2015

### **Note 1: Interest in Property by our Promoters and Promoter Group**

Our Promoters and Promoter Group do not have interest in any of our properties.

### **Note 2: Purchase of Property**

We have not entered into any agreement to buy/sell any property with the promoters or Director or a proposed director who had any interest direct or indirect during the preceding two years.

## Insurance Policies

We have not obtained any insurance policy.

## KEY INDUSTRY REGULATIONS AND POLICIES

*The following description is a summary of the relevant regulations and policies as prescribed by the Government of India, Government of Delhi and the respective bye laws framed by the local bodies in New Delhi, and others incorporated under the laws of India.*

*The information detailed in this chapter has been obtained from the various legislations and the bye laws of the respective local authorities that are available in the public domain. The regulations and policies set out below are not exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional advice.*

### **The Companies Act, 1956**

The Act deals with laws relating to companies and certain other associations. It was enacted by the parliament in 1956. The Companies Act primarily regulates the formation, financing, functioning and winding up of companies. The Act prescribes regulatory mechanism regarding all relevant aspects including organizational, financial and managerial aspects of companies. Regulation of the financial and management aspects constitutes the main focus of the Act. In the functioning of the corporate sector, although freedom of companies is important, protection of the investors and shareholders, on whose funds they flourish, is equally important. The Companies Act plays the balancing role between these two competing factors, namely, management autonomy and investor protection.

### **The Companies Act, 2013 (to the extent notified)**

The Companies Act, 2013 has been published on August 29, 2013. Section 1 of the said Act was notified on August 30, 2013, while 98 more sections were notified as on September 12, 2013, section 135 and rules thereunder on 27/02/2014. The Ministry of Company Affairs has further notified 183 sections of the Act and Rules thereunder to be made effective from 01.04.2014.

### **Regulation of Foreign Investment in India**

Foreign investment in India is primarily governed by the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and the rules and regulations promulgated there under. The RBI, in exercise of its powers under FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") which prohibit, restrict and regulate, transfer or issue of securities, to a person resident outside India. Pursuant to the FEMA Regulations, no prior consent or approval is required from the RBI for foreign direct investment under the "automatic route" within the specified sectoral caps prescribed for various industrial sectors. In respect of all industries not specified under the automatic route, and in respect of investments in excess of the specified sectoral limits under the automatic route, approval for such investment may be required from the FIPB and/or the RBI. Further, FIIs may purchase shares and convertible debentures of an Indian company under the portfolio investment scheme through registered brokers on recognized stock exchanges in India. Regulation 1 (4) of Schedule II of the FEMA Regulations provides that the total holding by each FII or SEBI approved sub-account of an FII shall not exceed 10% of the total paid-up equity capital of an Indian company or 10% of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all FIIs and sub accounts of FIIs added together shall not exceed 24% of the paid-up equity capital or paid-up value of each series of convertible debentures. However, this limit of 24% may be increased up to the statutory ceiling as applicable, by the Indian company concerned passing a resolution by its board of directors followed by the passing of a special resolution to the same effect by its shareholders.

### **Employees State Insurance Act, 1948**

All the establishments to which the Employees State Insurance (ESI) Act applies are required to be registered under the Act with the Employees State Insurance Corporation. The Act applies to those establishments where 20 or more persons are employed. The Act requires all the employees of the factories and establishments to which the Act applies to be insured in the manner provided under the Act. Further, employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the ESI department.

### **Payment of Gratuity Act, 1972**

A terminal lump sum benefit paid to a worker when he or she leaves employment after having worked for the employer for a prescribed minimum number of years is referred to as "gratuity". The provisions of the Act are applicable to all the factories. The Act provides that within 30 days of opening of the establishment, it has to notify the controlling authority in Form A and thereafter whenever there is any change in the name, address or change in the nature of the business of the establishment a notice in Form B has to be filed with the authority.

The Employer is also required to display an abstract of the Act and the rules made there-under in Form U to be affixed at the or near the main entrance. Further, every employer has to obtain insurance for his liability towards gratuity payment to be made under Payment of Gratuity Act 1972, with Life Insurance Corporation or any other approved insurance fund.

### **The Competition Act, 2002**

The Competition Act, 2002 (the “**Competition Act**”) prohibits anti competitive agreements, abuse of dominant positions by enterprises and regulates “combinations” in India. The Competition Act also established the Competition Commission of India (the “**CCI**”) as the authority mandated to implement the Competition Act. The provisions of the Competition Act relating to combinations were notified recently on March 4, 2011 and came into effect on June 1, 2011. Combinations which are likely to cause an appreciable adverse effect on competition in a relevant market in India are void under the Competition Act. A combination is defined under Section 5 of the Competition Act as an acquisition, merger or amalgamation of enterprise(s) that meets certain asset or turnover thresholds. There are also different thresholds for those categorized as ‘Individuals’ and ‘Group’. The CCI may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is likely to have an appreciable adverse effect on competition in India. Effective June 1, 2011, all combinations have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under Section 5(a) and (b) of the Competition Act (including any binding document conveying an agreement or decision to acquire control, shares, voting rights or assets of an enterprise); or the board of directors of a company (or an equivalent authority in case of other entities) approving a proposal for a merger or amalgamation under Section 5(c) of the Competition Act. The obligation to notify a combination to the CCI falls upon the acquirer in case of an acquisition, and on all parties to the combination jointly in case of a merger or amalgamation.

### **Intellectual Property**

In India, trademarks and copyrights enjoy protection both statutory and under common law.

**Trademarks:** A trademark is used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor or user to use the mark. A mark may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The Trademarks Act, 1999, (“**Trademarks Act**”), governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of 10 years but can be renewed in accordance with the specified procedure. Until recently, a person desirous of obtaining registration of his trademark in other countries has to make separate applications in different languages and disburse different fees in the respective countries. However, the Madrid Protocol, administered by the International Bureau of the World Intellectual Property Organization, (“**WIPO**”), of which India is a member country, aims to facilitate global registration of trademarks by enabling nationals of member countries to secure protection of trademarks by filing a single application with one fee and in one language in their country of origin. This in turn is transmitted to the other designated countries through the International Bureau of the WIPO. Accordingly, the Trademarks Act was amended vide the Trademarks (Amendment) Bill, 2009, to empower the Registrar of Trade Marks to deal with international applications originating from India as well as those received from the International Bureau and maintain a record of international registrations. It also removes the discretion of the Registrar to extend the time for filing notice of opposition of published applications and provides for a uniform time limit of four months in all cases. Further, it simplifies the law relating to transfer of ownership of trademarks by assignment or transmission and brings the law generally in line with international practice.

**Copyrights:** A copyright is an exclusive right to do or authorization to do certain acts in relation to literary, dramatic, musical and artistic work, cinematographic films and sound recordings. The Copyright Act, 1957, (“**Copyright Act**”), provides for registration of copyrights, transfer of ownership and licensing of copyrights, and infringement of copyrights and remedies available in that respect. Depending on the subject, copyright is granted for a certain period of time, usually for a period of 60 years, subsequent to which the work falls in the public domain and any act of reproduction of the work by any person other than the author would not amount to infringement. Software, both in source and object code, constitutes a literary work under Indian law and is afforded copyright protection. Following the issuance of the International Copyright Order, 1999, subject to certain conditions and exceptions, the provisions of the Copyright Act apply to nationals of all member states of the World Trade Organization, the Berne Convention and the Universal Copyright Convention. While intellectual

property registration is not a prerequisite for acquiring or enforcing such rights, registration creates a presumption favoring the ownership of the right by the registered owner. Registration may expedite infringement proceedings and reduce delay caused due to evidentiary considerations. The registration of certain types of intellectual property is prohibited, including where the property sought to be registered is not distinctive. The remedies available in the event of infringement under the Copyright Act and the Trademarks Act include civil proceedings for damages, account of profits, injunction and the delivery of the infringing materials to the owner of the right, as well as criminal remedies including imprisonment of the accused and the imposition of fines and seizure of infringing materials.

### **The Indian Contract Act, 1872**

The Contract Act is the legislation which lays down the general principles relating to formation, performance and enforceability of contracts. The rights and duties of parties and the specific terms of agreement are decided by the contracting parties themselves, under the general principles set forth in the Contract Act. The Contract Act also provides for circumstances under which contracts will be considered as 'void' or 'voidable'. The Contract Act contains provisions governing certain special contracts, including indemnity, guarantee, bailment, pledge, and agency.

### **Notification of Industry Status**

The Indian film industry was conferred industry status by a press release issued by the Ministry of Information and Broadcasting, Government of India ("Gol"), on May 10, 1998.

### **The Prasar Bharati (Broadcasting Corporation of India) Act, 1990**

Pursuant to the enactment of the Prasar Bharati (Broadcasting Corporation of India) Act, 1990, the Prasar Bharati was set up as a statutory autonomous body on November 23, 1997. The Corporation is the public service broadcaster in India and the primary duty of Prasar Bharati is to organize and conduct public broadcasting to inform, educate and entertain the public and to ensure a balanced development of broadcasting on radio and television. Prasar Bharati is also empowered to manage on behalf of the Central Government the broadcasting of external services and monitoring of broadcasts made by organizations outside India. Prasar Bharati has other objectives, some of which include upholding the unity and integrity of the country and the values enshrined in the Constitution of India, safeguarding the citizen's right to be informed freely, truthfully and objectively on all matters of public interest, national or international, and presenting a fair and balanced flow of information including contrasting views without advocating any opinion or ideology of its own, and providing comprehensive broadcast coverage through the choice of appropriate technology and the best utilization of the broadcast frequencies available and ensuring high quality reception and expanding broadcasting facilities by establishing additional channels of transmission.

### **Film Certification:**

The Cinematograph Act, 1952, ("Cinematograph Act"), authorizes the Central Government to constitute a Board of Film Certification, (also known as the "Central Board for Film Certification" or "CBFC"), in accordance with the Cinematograph (Certification) Rules, 1983, ("Certification Rules"), for sanctioning films for public exhibition in India. Under the Certification Rules, the producer of a film is required to applying the specified format for certification of such film, with the prescribed fee. The film is examined by an examining committee, which determines whether, the film:

- is suitable for unrestricted public exhibition;
- Or is suitable for unrestricted public exhibition, with a caution that the question as to whether any child Below the age of 12 years may be allowed to see the film should be considered by the parents or guardian Of such child; or
- is suitable for public exhibition restricted to adults; or
- is suitable for public exhibition restricted to members of any profession or any class of persons having
- Regard to the nature, content and theme of the film; or
- is suitable for certification in terms of the above if a specified portion or portions be excised or modified There from; or
- is not suitable for unrestricted or restricted public exhibitions, i.e., that the film be refused a Certificate.

A film will not be certified for public exhibition if, in the opinion of the CBFC, the film or any part of it is against the interests of the sovereignty, integrity or security of India, friendly relations with foreign states, public order, Decency or morality, or involves defamation or contempt of court or is likely to incite the commission of any Offence.

Any applicant, if aggrieved by any order of the CBFC either refusing to grant a certificate or granting a certificate That restricts exhibition to certain persons only, may appeal to the Film Certification Appellate Tribunal Constituted by the Central Government under the Cinematograph Act.

A certificate granted or an order refusing to grant a certificate in respect of any film is published in the Official Gazette of India and is valid for 10 years from the date of grant. Films certified for public exhibition may be re - examined by the CBFC if any complaint is received in respect of the same. Pursuant to grant of a certificate, film advertisements must indicate that the film has been certified for public exhibition. The Central Government may issue directions to licensees of cinemas generally or to any licensee in particular for the purpose of regulating the exhibition of films, so that scientific films, films intended for educational purposes, films dealing with news and current events, documentary films or indigenous films secure an adequate opportunity of being exhibited. The Central Government, acting through local authorities, may order suspension of exhibition of a film, if it is of the opinion that any film being publicly exhibited is likely to cause a breach of peace. Failure to comply with the Cinematograph Act may attract imprisonment and/or monetary fines. Separately, the Cable Television Networks Rules, 1994, require that no film or film song, promo, trailer, of film music video , album or trailer, whether produced in India or abroad, shall be carried through cable services unless it has been certified by the CBFC as suitable for unrestricted public exhibition in India.

**The Cinematograph Film Rules, 1948, (“Cinematograph Rules”)**, require a license to be obtained prior to storing any film, unless specifically exempted. Licenses for storage of films are granted for one year and must be renewed annually. Any person transporting, storing or handling films is required to ensure compliance with requirements pertaining to, inter alia, precautions against fire, storage of loose films, minimum specifications for aisle space, exits and electrical installations in storage rooms etc. The Cinematograph Rules also specify the procedure for transport of film, and application for, or renewal, transfer, refusal and cancellation of, licenses.

## OUR HISTORY AND CORPORATE STRUCTURE

### HISTORY & BACKGROUND

Our Company was originally incorporated in New Delhi as "Channel Nine Entertainment Limited" under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana vide certificate of incorporation dated 25th July, 2002 issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana. The corporate identification number (CIN) of our company is L92132DL2002PLC116330.

Our Company was originally incorporated by Poonam Mutreja, Sunil Mutreja, Manish Walia, Vijay Jindal, Shubha, Rajinder Kumar, Akshaya Kirti Jain.

Our company has taken over a proprietor ship firm namely "Channel 9 Productions" along with all assets and liabilities on going concern basis on 1st September, 2002. Pursuant to this acquisition, we have allotted 187500 Equity shares to Ms. Poonam Mutreja as consideration to acquire Channel 9 Productions.

Currently, the company is predominantly engaged in production and distribution of feature films, ad films, corporate films, documentaries, tele-serials and marketing of sports and entertainment events

In the year 2011 Mr. Gajraj Singh became & Mrs. Kirti acquired majority stake in the Company and usurped control over the company.

The Registered Office of our Company is situated at 3/12, Ground Floor, Asaf Ali Road, New Delhi, Delhi - 110002.

FROM	TO	DATE OF CHANGE	REASON FOR CHANGE
10/131, Opp - B Block , Shivalik, Malviya Nagar, New Delhi, Delhi - 110017	912, Kailash Building, Kasturba Gandhi Marg, New Delhi, Delhi- 110001	1 <sup>st</sup> November, 2002	Administrative Purpose
912, Kailash Building, Kasturba Gandhi Marg, New Delhi, Delhi- 110001	3/12, Ground Floor, Asaf Ali Road, New Delhi, Delhi - 110002.	2 <sup>nd</sup> March, 2012	Administrative Purpose

### MAIN OBJECTS OF OUR COMPANY

The object clauses of the Memorandum of Association of our Company enable us to undertake the activities for Which the funds are being raised in the present Issue. Furthermore, the activities of our Company which we have been carrying out until now are in accordance with the objects of the Memorandum. The objects for which our Company is established are:

- To carry on the business of production, marketing of television serials, television programmes, films, video films, advertisement films, corporate films, feature films, documentaries and marketing of sports and entertainment events.
- To take over "channel 9 productions" ongoing concern basis at 10/131, Malviya Nagar, PP.B- Block, Shivalik, New Delhi -110017 along with all its assets and liabilities on such terms & conditions as may be mutually agreed upon. The said firm shall cease to exist after such take over by the company after incorporation thereof.

### CHANGES IN THE MEMORANDUM OF ASSOCIATION

The following changes have been made in the Memorandum of Association of our Company since inception:

DATE	AMENDMENT
30 <sup>th</sup> March, 2012	Increase in authorized capital of the Company from Rs. 1,00,00, 000 to 10,00,00,000
26 <sup>th</sup> October, 2012	Increase in authorized capital of the Company

DATE	AMENDMENT
	from Rs. 10,00,00,000 to 16,00,00,000
25 <sup>th</sup> September 2013	Increase in authorized capital of the Company from Rs 16,00,00,000 to 25,00,00,000

#### MAJOR EVENTS AND MILESTONES

YEAR	PARTICULARS
July, 2002	Incorporation of the Company in the name and style of "Channel Nine Entertainment Limited"
September, 2002	Acquisition of "channel 9 productions" on going concern basis
2011	Control of company acquired by Mr. Gajraj Singh & Mrs. Kriti

#### HOLDING COMPANY OF OUR COMPANY

Our Company has no holding company as on the date of filing of the Draft Letter of Offer.

#### SUBSIDIARY OF OUR COMPANY

There is no subsidiary of our Company as on the date of filing of the Draft Letter of Offer.

#### SHAREHOLDERS AGREEMENTS

Our Company has not entered into any shareholders agreement as on date of filing of the Draft Letter of Offer.

#### OTHER AGREEMENTS

Our Company has not entered into any specific or special agreements except that have been entered into in ordinary course of business as on the date of filing of the Draft Letter of Offer.

#### COLLABORATION

Our Company has not entered into any collaboration with any third party as per regulation (VIII) B (1) (c) of part A Schedule VIII of SEBI (ICDR) Regulations, 2009.

#### STRATEGIC PARTNER

Our Company does not have any strategic partner as on the date of filing of the Draft Letter of Offer.

#### FINANCIAL PARTNER

Our Company does not have any financial partner as on the date of filing of the Draft Letter of Offer.

#### DEFAULTS OR RESCHEDULING OF BORROWINGS WITH FINANCIAL INSTITUTIONS OR BANKS

There have been no defaults or rescheduling of borrowings with financial institutions or banks as on the date of this Draft Letter of Offer.

#### NUMBER OF SHAREHOLDERS

Our Company has 329 shareholders as on 12.09.2014.

## OUR MANAGEMENT

### BOARD OF DIRECTORS

Under our Articles of Association, our Company is required to have not less than three (3) Directors and not more than twelve (12) Directors. Our Company currently has four (4) Directors on Board. The following table sets forth current details regarding our Board of Directors:

Name, Father's name, Address, Occupation, Nationality, tenure & DIN	Age	Status of Directorship in our Company	Other Directorships
1.Mr. Gaj Raj Singh S/o. Mr. Raj Pal Singh H No. 62, Dhaka Village, GTB Nagar, New Delhi-110009, Delhi, India Occupation: Business Nationality :Indian Tenure: Three Years w.e.f. 1 <sup>st</sup> November, 2012 DIN No. 02925387	36 Years	Whole time Director cum Executive Director	ACHAL INVESTMENTS LIMITED
2. Mr. Rajesh Kumar Ramjas Jaiswar S/o. Mr. Ramjas Jaiswar 61, Bhasot Bhasot, Bhasot, Jaunpur, 222413, Uttar Pradesh, India Occupation: Service Nationality: Indian Tenure: Retire by rotation DIN No. 06845321	27 Years	Non-executive non-Independent Director	Nil
3.Mrs. Neena Sood D/o. Mr. Nand Lal Sood 329, Asola Fatherpur Beri, Mehrauli, Delhi-110074, Delhi, India Occupation: Service Nationality: Indian Tenure: Retire by Rotation DIN No. 06395848	43 Years	Independent Director	Nil
4. Mrs Asha Rani D/o Mr Shiv Murat 438, Block -25, Trilok Puri Delhi-110091, Delhi, India Occupation: Service Nationality: Indian Tenure: Retire by Rotation DIN No. 06842453	35 years	Independent Director	Nil

**Note:**

As on the date of the Draft Letter of Offer:

1. None of the above mentioned Directors are on the RBI List of willful defaulters as on date.
2. Further, none of our Directors are or were directors of any company whose shares were (a) suspended from trading by stock exchange(s) for more than 3 months during the five years prior to the date of filing the Draft Letter of Offer or (b) delisted from the stock exchanges.
3. None of the Promoters, Persons forming part of our Promoter Group, Directors or persons in control of our Company, has been or is involved as a promoter, director or person in control of any other company, which is



debarred from accessing the capital market under any order or directions made by SEBI or any other regulatory authority.

#### DETAILS OF DIRECTORS

**Mr. GAJ RAJ SINGH**, aged 36 years, is the Promoter and Whole Time Director of our Company. He holds bachelor degree in commerce from Delhi University. He has 11years of experience film and media sector. He is well associated with day to day affairs of this company. He has been on the Board of our Company since April, 2011.

**Mr RAJESH KUMAR RAMJAS JAISWAR** , aged 27 years, is the Non-Executive Non Independent Director of our Company. He is graduate and has 4 Years of experience in marketing. He is associated with day to day affairs of this company. He has been on the Board of our Company since May, 2014

**Mrs. NEENA SOOD**, aged 43 years is an Independent Director of our Company. She holds bachelor degree in arts and possesses 21 years of experience in marketing and business development of allied sector. She has been on the Board of our Company since April, 2011.

**Mrs ASHA RANI**, aged 35 years is an Independent Director of our Company. She holds Post Graduate degree and possesses 12 years of experience in business development. She has been on the Board of our Company since November 2013.

#### CONFIRMATIONS

None of the Directors is or was a director of any listed company during the last five years preceding the date of filing of the Draft Letter of Offer, whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in any such company.

None of the Directors is or was a director of any listed company which has been or was delisted from any recognized stock exchange in India during the term of their directorship in such company.

#### NATURE OF FAMILY RELATIONSHIP AMONG DIRECTORS

*As on date, none of the directors is having family relation with each other.*

#### BORROWING POWERS OF THE DIRECTORS

Pursuant to a special resolution passed at Extra Ordinary General Meeting of our Company held on 27<sup>th</sup> December, 2012 consent of the members of our Company was accorded to the Board of Directors of our Company pursuant to Section 180 (1)(c) of the Companies Act, 2013 (previously Section 293 (1)(d) of the Companies Act, 1956) for borrowing from time to time any sum or sums of money on such security and on such terms and conditions as the Board may deem fit, notwithstanding that the money to be borrowed together with the money already borrowed by our Company (apart from temporary loans obtained from our Company's bankers in the ordinary course of business) may exceed in the aggregate, the paid-up capital of our Company and its free reserves, provided however, the total amount so borrowed in excess of the aggregate of the paid-up capital of our Company and its free reserves shall not at any time exceed Rs. 25 Crores.

#### TERMS OF APPOINTMENT AND COMPENSATION OF OUR DIRECTORS

<b>Name</b>	Mr. Gaj Raj Singh
<b>Designation</b>	Executive Director
<b>Period</b>	Three years with effect from 1 <sup>st</sup> November, 2012
<b>Date of Appointment</b>	Extra Ordinary General Meeting dated 1 <sup>st</sup> November, 2012
<b>Remuneration</b>	Rs. 25,000/- p.m. (Rupees Twenty Thousand Only) with such annual increments / increases as may be decided by Board of Directors from time to time.
<b>Remuneration paid in FY 31<sup>st</sup> March, 2014</b>	Rs. 3.00 Lacs

There is no definitive and /or service agreement that has been entered into between our Company and the directors in relation to their appointment.

## NON - EXECUTIVE DIRECTORS

Currently, non-executive Directors are not being paid sitting fees

## CORPORATE GOVERNANCE

Our Company stands committed to good corporate governance practices based on the principles such as accountability, transparency in dealings with our stakeholders, emphasis on communication and transparent reporting. We have complied with the requirements of the applicable regulations, including the Listing Agreement to be executed with the Stock Exchange and the SEBI Regulations, in respect of corporate governance including constitution of the Board and Committees thereof. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law.

We have a Board constituted in compliance with the Companies Act and the Listing Agreement in accordance with best practices in corporate governance. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board detailed reports on its performance periodically.

Currently our Board has four (4) Directors. We have one (1) executive non-independent director, one (1) non-executive non-independent director and two (2) independent non-executive directors. The constitution of our Board is in compliance with the requirements of Clause 52 of the Listing Agreement.

**The following committees have been formed in compliance with the corporate governance norms:**

- A) Audit Committee
- B) Shareholders/Investors Grievance Committee

## AUDIT COMMITTEE

Our Company has constituted an audit committee ("**Audit Committee**"), as per the provisions of Section 292A of the Companies Act, 1956, Section 177 of Companies Act, 2013 and Clause 52 of the Listing Agreement to be entered with Stock Exchange, vide resolution passed in the meeting of the Board of Directors held on 24<sup>th</sup> December, 2012. The committee has been reconstituted on 14<sup>th</sup> November, 2013 & 31<sup>st</sup> May 2014.

The terms of reference of Audit Committee complies with the requirements of Clause 52 of the Listing Agreement, proposed to be entered into with the Stock Exchange in due course. The committee presently comprises following three (3) directors. Mrs Asha Rani is the Chairman of the Audit Committee.

No.	Name of the Director	Status	Nature of Directorship
1.	Mrs Asha Rani	Chairman	Independent Director
2.	Mrs. Neena Sood	Member	Independent Director
3.	Mr Rajesh Kumar Ramjas Jaiswar	Member	Non Executive Non Independent Director

## Role of Audit Committee

The terms of reference of the Audit Committee are given below:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.

4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient, and credible.
6. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
7. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
8. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - (a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956 or Section 134 of Companies Act, 2013.
  - (b) Changes, if any, in accounting policies and practices and reasons for the same
  - (c) Major accounting entries involving estimates based on the exercise of judgment by management
  - (d) Significant adjustments made in the financial statements arising out of audit findings
  - (e) Compliance with listing and other legal requirements relating to financial statements
  - (f) Disclosure of any related party transactions
  - (g) Qualifications in the draft audit report.
9. Reviewing, with the management, the financial statements before submission to the board for approval
10. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
11. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
12. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing, and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
13. Discussion with internal auditors any significant findings and follow up there on.
14. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
15. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
16. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
17. To review the functioning of the Whistle Blower mechanism, in case if the same is existing.
18. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person

heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

19. Carrying out any other function as mentioned in the terms of reference of the Audit Committee.
20. Mandatorily reviews the following information:
  - Management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - Internal audit reports relating to internal control weaknesses; and
  - The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee
21. Review the Financial Statements of its Subsidiary company, if any.
22. Review the composition of the Board of Directors of its Subsidiary company, if any.
23. Review the use/application of funds raised through an issue (public issues, right issues, preferential issues etc) on a half yearly basis as a part of the half yearly declaration of financial results. Further, review on annual basis statements prepared by the Company for funds utilized for purposes other than those stated in the offer document.

In addition, to carry out such other functions/powers as may be delegated by the Board to the Committee from time to time.

#### **SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE**

Our Company has constituted a shareholder / investors grievance committee ("**Shareholders / Investors Grievance Committee**") to redress the complaints of the shareholders. The Shareholders/Investors Grievance Committee was constituted vide resolution passed at the meeting of the Board of Directors held on 24<sup>th</sup> December, 2012. The committee has been reconstituted on 14<sup>th</sup> November, 2013 & 31<sup>st</sup> May 2014 . The committee currently comprises of three (3) Directors. Mrs. Neena Sood is the Chairman of the Shareholders/ Investors Grievance committee.

No.	Name of the Director	Status	Nature of Directorship
1.	Mrs. Neena Sood	Chairman	Independent Director
2.	Mrs. Asha Rani	Member	Independent Director
3.	Mr. Rajesh Kumar Ramjas Jaiswar	Member	Non Executive Non Independent Director

#### **Role of shareholders/investors grievance committee**

The Shareholders / Investors Grievance Committee of our Board look into:

- The redressal of investors complaints viz. non-receipt of annual report, dividend payments etc.
- Matters related to share transfer, issue of duplicate share certificate, dematerializations.
- Also delegates powers to the executives of our Company to process transfers etc.

The status on various complaints received / replied is reported to the Board of Directors as an Agenda item.

#### **Policy on Disclosures and Internal Procedure for Prevention of Insider Trading**

Our Company undertakes to comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 after listing of our Company's shares on the Stock Exchange. Our Company Secretary and Compliance Officer, Mr Bhagat Singh is responsible for setting forth policies, procedures, monitoring and adhering to the rules

for the prevention of dissemination of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

#### SHAREHOLDING DETAILS OF THE DIRECTORS IN OUR COMPANY

As per the Articles of Association of our Company, a Director is not required to hold any qualification shares. The following table details the shareholding of our Directors as on the date of this Draft Letter of Offer:

Name of Director	Number of Equity Shares	% of Pre-Issue Paid up Share Capital
Mr. Gaj Raj Singh	31,95,600	20.58

#### INTEREST OF DIRECTORS

All the Directors of our Company may be deemed to be interested to the extent of sitting fees and/or other remuneration if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses if any payable to them under the Articles of Association. All the Directors may also be deemed to be interested in the Equity Shares of our Company, if any, held by them, their relatives or by the companies or firms or trusts in which they are interested as directors / members / partners or that may be subscribed for and allotted to them, out of the present Issue and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

All the Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any other company in which they have direct /indirect interest or any partnership firm in which they are partners.

Our Directors may also be regarded interested to the extent of dividend payable to them and other distributions in respect of the Equity Shares, if any, held by them or by the companies / firms / ventures promoted by them or that may be subscribed by or allotted to them and the companies, firms, in which they are interested as Directors, members, partners and Promoters, pursuant to this Issue.

#### PROPERTY INTEREST

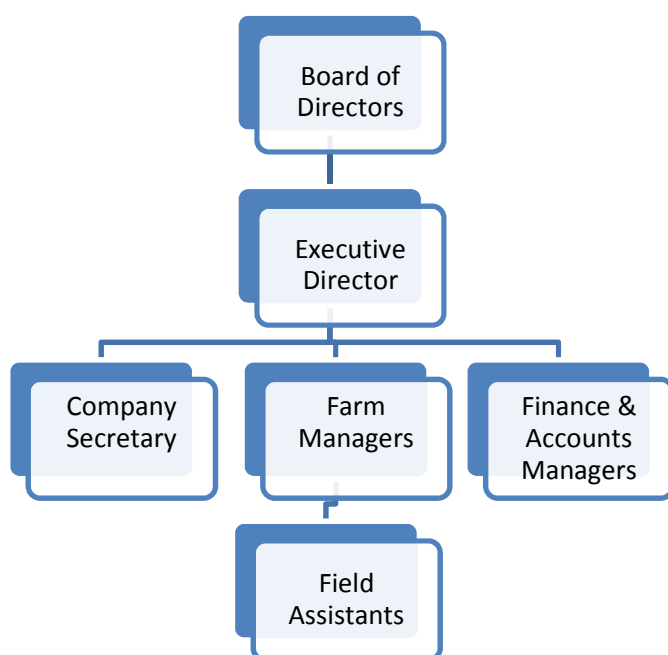
Our Company has not entered into any contract, agreements or arrangement during the preceding two (2) years from the date of this Draft Letter of Offer in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

#### CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE (3) YEARS

The changes in the Directors during last three (3) years are as follows:

Name	Date of appointment	Date of cessation	Reason
Ms. Shubha	25/07/2002	24/10/2012	Resignation due to preoccupation
Mr. Manoj Kumar	15/12/2006	19/09/2012	Resignation due to preoccupation
Mrs. Kirti	04/04/2011	31/05/2014	Resignation due to preoccupation
Mr. Dinesh Kumar Jindal	04/04/2011	27/06/2013	Resignation due to preoccupation
Mrs Asha Rani	14/11/2013	-	-
Mr Rajesh Kumar Ramjas Jaiswar	31/05/2014	-	

## ORGANISATION STRUCTURE



## KEY MANAGERIAL PERSONNEL

Our Company is managed by its Board of Directors, assisted by qualified professionals, in the respective field of production/finance/ distribution/marketing and corporate laws.

The following key personnel assist the management of our Company:

Name	Date of Joining	Designation	Functional Responsibilities	Qualification	Previous Employment
Mr. Gaj Raj Singh	01.04.2011	Executive Director	General planning & Management of day to day affairs	B.Com	Media Professional
Mr. Vikas Mishra	01.04.2012	Manager Accounts & Finance	Accounting, Finance controls and management of cash flows	B.Com	CLAWS
Mr. Bhagat Singh	16.04.2014	Company Secretary & Compliance Officer	Drafting of agreements, drafting of resolutions, preparation of minutes & compliance of the provisions of the Companies Act.	ACS	Nil

## **BRIEF PROFILE OF KEY MANAGERIAL PERSONNEL**

1. **Mr. Gaj Raj Singh**, is the Promoter and Executive Director of our Company. He holds bachelor degree in commerce from Delhi University. He has 10.5 years of experience film and media sector. He is well associated with day to day affairs of this company. He has been on the Board of our Company since April, 2011.
2. **Mr. Vikas Mishra**, is the Manager-Accounts & Finance of our Company. He has completed his Bachelor degree in commerce. He is working with our Company since April, 2012. He oversees accounting and management of finance.
3. **Mr. Bhagat Singh** is Company Secretary & Compliance Officer of our Company. He is an associate member of Institute of Companies Secretaries of India. He is associated with our Company from April, 2014. His scope of work and responsibilities includes vetting of agreements, preparation of minutes, drafting of resolutions, preparation and updating of various statutory registers, and compliance with the provisions of Companies Act.

Besides the above mentioned key employees, company has appointed the following advisors /consultants, to oversee acquisition of films and TV programmes and content development:

4. **Mr. Ravi M Khanna** is veteran TV / Radio journalist. As a TV Producer / Analyst he has written and produced a number of TV packages for Voice of America. These analytical pieces provided in depth background and perspective to the "News of the day" and were often used by all 38 services of VOA. He began his stage acting in his college days when at Shri Ram College of Commerce where he won the best actor's award in his second year in college. He has been retained w.e.f. September 1, 2012.
5. **Mr. Sunil Kumar** is consultant and having 20 year experience for several media companies in the area of business strategy, content, marketing and human resources. He spent the eight years of his career in advertising working for agencies like Ogilvy & Mather and Ulka. Now he operates a radio consultancy firm which helps media and non media companies set up and manage radio stations and other allied activities. His client list includes the BBC World Service, Radio Indigo (Bangalore), Chennai live (Chennai), My FM (17 station), Nine FM (Siliguri, Gangtok), and Radio Rangeela (Raipur). He has been retained w.e.f. September 1, 2012.

## **FAMILY RELATIONSHIP BETWEEN KEY MANAGERIAL PERSONNEL**

As on date, none of the key managerial persons is having family relation with each other.

## **ALL OF KEY MANAGERIAL PERSONNEL ARE PERMANENT EMPLOYEE OF OUR COMPANY**

## **SHAREHOLDING OF THE KEY MANAGERIAL PERSONNEL**

As on date, Mr. Gaj Raj Singh holds 31,95,600 Equity Shares of our Company. Except that none of the key managerial personnel are holding any Equity Shares of our Company.

## **BONUS OR PROFIT SHARING PLAN FOR THE KEY MANAGERIAL PERSONNEL**

There is no profit sharing plan for the Key Managerial Personnel. Our Company makes bonus payments to the employees based on their performances, which is as per their terms of appointment.

## **LOANS TO KEY MANAGERIAL PERSONNEL**

There are no loans outstanding against Key Managerial Personnel as on 31<sup>st</sup> August, 2014.

#### **CHANGES IN KEY MANAGERIAL PERSONNEL OF OUR COMPANY DURING THE LAST THREE (3) YEARS**

The changes in the Key Managerial Employees of the Issuer during the last three (3) years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Vikas Mishra	01.04.2012	-	-
Mr Gagan Goel	11.11.2012	20/08/2013	Personal
Mr Bhagat Singh	16.04.2014	-	-

#### **EMPLOYEES STOCK OPTION SCHEME**

Our Company does not have any Employee Stock Option Scheme/ Employee Stock Purchase Scheme as on the date of filing of this Draft Letter of Offer.

#### **PAYMENT OR BENEFIT TO OUR OFFICERS**

Except for the payment of normal remuneration for the services rendered in their capacity as employees of our Company, no other amount or benefit has been paid or given within the two (2) preceding years or intended to be paid or given to any of them.



## OUR PROMOTERS


### OUR PROMOTER

The Promoters of our Company is:

1. Mr. Gaj Raj Singh
2. Mrs Kirti

### DETAILS OF OUR PROMOTER IS AS UNDER


#### Mr. Gaj Raj Singh

	<p><b>Mr. Gaj Raj Singh</b>, aged 36 years, is the Promoter and Executive Director of our Company. He holds bachelor degree in commerce from Delhi University. He has 10.5 years of experience film and media sector. He is well associated with day to day affairs of this company. He has been on the Board of our Company since April, 2011.</p>
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#### Identification

<b>Name</b>	Mr. Gaj Raj Singh
<b>Permanent Account Number</b>	BEKPS1235N
<b>Passport No.</b>	N.A.
<b>Voter ID</b>	JRL0873000
<b>Driving License</b>	P08012003330007
<b>Bank Account Details</b>	Account Number 213101000012109 with Bank of Baroda

#### Mrs. Kirti

	<p><b>Mrs. Kirti</b>, aged 30 years, is the Promoter and Director of our Company. She is graduate and has 5 Years of experience in marketing. She is associated with day to day affairs of this company. She has been on the Board of our Company since April, 2011</p>
---	---

#### Identification

<b>Name</b>	Mrs. Kirti
<b>Permanent Account Number</b>	BBAPK7304P
<b>Passport No.</b>	N.A.
<b>Voter ID</b>	JRL1161041
<b>Driving License</b>	N.A.
<b>Bank Account Details</b>	Account Number 2416101014679 with Canara Bank

### OTHER UNDERTAKINGS AND CONFIRMATIONS

Our Company undertakes that the details of Permanent Account Number, bank account number and passport number of the Promoters will be submitted to the SME platform of BSE Exchange, where the securities of our Company are proposed to be listed at the time of submission of Draft Letter of Offer.

## **COMMON PURSUITS OF OUR PROMOTERS**

Our Promoters do not have any common pursuits and not engaged in the business similar to those carried out by our Company.

## **INTEREST OF THE PROMOTERS**

### **Interest in the promotion of our Company**

Our Promoters may be deemed to be interested in the promotion of the Issuer to the extent of the Equity Shares held by themselves as well as their relative and also to the extent of any dividend payable to them and other distributions in respect of the aforesaid Equity Shares. Further, our Promoters may also be interested to the extent of Equity Shares held by or that may be subscribed by and allotted to companies and firms in which either of them are interested as a director, member or partner. In addition, our Promoters, being Director and Managing Director, may be deemed to be interested to the extent of fees, if any, payable for attending meetings of the Board or a committee thereof as well as to the extent of remuneration and reimbursement of expenses, if any, payable under our Articles of Association and to the extent of remuneration, if any, paid for services rendered as an officer or employee of our Company as stated in section titled "*Our Management*" on page 70 of this Draft Letter of Offer.

### **Interest in the property of our Company**

Our Promoters do not have any interest in any property acquired by or proposed to be acquired by our Company since incorporation.

### **Interest as Member of our Company**

As on the date of this Draft Letter of Offer, our Promoters together hold 31,95,600 Equity Shares of our Company and is therefore interested to the extent of their shareholding and the dividend declared, if any, by our Company. Except to the extent of shareholding of the Promoters in our Company and benefits as provided in the section titled '*Terms of appointment and compensation of our Directors*' on page 71, our Promoters does not hold any other interest in our Company.

Also see "Our Management-Interest of Directors" on page 75 of Draft Letter of Offer.

## **PAYMENT AMOUNTS OR BENEFIT TO OUR PROMOTERS DURING THE LAST TWO YEARS**

No payment has been made or benefit given to our Promoters in the two years preceding the date of the Draft Letter of Offer except as mentioned / referred to in this chapter and in the section titled 'Our Management', 'Financial Information' and 'Capital Structure' on page nos. 70, 85 and 28 respectively of this Draft Letter of Offer. Further as on the date of the Draft Letter of Offer, there is no bonus or profit sharing plan for our Promoters.

## **CONFIRMATIONS**

For details on litigations and disputes pending against the Promoters and defaults made by them, please refer to the section titled "*Outstanding Litigation and Material Developments*" on page 105 of the Promoters. Our Promoters have not been declared a willful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by our Promoters in the past or are pending against them.

## **RELATED PARTY TRANSACTIONS**

Except as disclosed in the section titled "*Related Party Transactions*" beginning on page 83, our Company has not entered into any related party transactions with our Promoters.

## OUR PROMOTER GROUP / GROUP COMPANIES / ENTITIES

### PROMOTER GROUP INDIVIDUALS

The following natural persons (being the immediate relative of our Promoter) form part of our Promoter Group:

#### Relatives of Promoters:

Relationship	Mr. Gaj Raj Singh	Mrs Kirti
Spouse	Mrs. Kirti	Mr. Gaj Raj Singh
Father	Mr. Raj Pal Singh	Mr. Deeap Kumar
Mother	Mrs. Rakesh Devi	Mrs. Kusum Lata
Brother	Mr. Kapil Chauhan	Mr. Kapil Moudgil & Mr. Himanshu Moudgil
Sister	Mrs. Chanda	-
Son	Mr. Aaray	Mr. Aaray
Daughter	Ms. Manasvi	Ms. Manasvi

### PROMOTER GROUP COMPANIES AND ENTITIES

As specified in clause 2 (zb) of the SEBI Regulation, the companies, HUFs, partnership firms and other entities, that form part of our Promoter Group are as follows:

#### LISTED COMPANIES WITHIN OUR PROMOTER GROUP

There is no listed Company in our Promoter Group

#### UNLISTED COMPANIES WITHIN OUR PROMOTER GROUP

There is no unlisted Company in our Promoter Group

#### COMMON PURSUITS

There are no common pursuits between our Company and our Promoter group.

#### LITIGATION/ DEFAULTS

For details relating to legal proceedings involving the Promoters and Members of the Promoter Group, see the section titled "Outstanding Litigation and Material Developments" beginning on page 105 of this Draft Letter of Offer.

#### DISASSOCIATION WITH COMPANIES/FIRMS BY THE PROMOTERS OF OUR COMPANY DURING THE PRECEDING THREE (3) YEARS

Our Promoters have not disassociated with any of entity during the preceding three (3) years.

#### INTEREST OF PROMOTER GROUP COMPANIES

Our Promoter Group companies are interested parties to the extent of their shareholding in the Company, if any dividend and distributions which may be made by the Company in future and to the extent of the related party transactions disclosed in the section titled "*Related Party Transactions*" beginning on page 83 of the Draft Letter of Offer.

#### RELATED BUSINESS TRANSACTION WITHIN THE GROUP AND SIGNIFICANCE ON FINANCIAL PERFORMANCE

There is no business transactions between our Company and the Promoter Group Companies except as stated on page 83 under section titled as *"Related Party Transactions"*.

#### **SALE OR PURCHASE BETWEEN OUR COMPANY AND OUR PROMOTER GROUP COMPANIES**

There are no sales or purchases between our Company and any company in the Promoter Group exceeding 10% of the sales or purchases of our Company.

#### **SICK COMPANIES**

There are no Companies in our group listed above which have been declared as a sick company under the SICA. There are no winding up proceedings against any of Promoter Group Companies. The Promoter Group Companies do not have negative net worth. Further, no application has been made by any of them to RoC to strike off their names.

#### **CONFIRMATION**

Our Promoters and persons forming part of Promoter Group have confirmed that they have not been declared as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them. Additionally, none of the Promoters and persons forming part of Promoter Group has been restrained from accessing the capital markets for any reasons by SEBI or any other authorities. None of the Promoter or Group Companies has a negative net worth as of the date of the respective last audited financial statements.

## RELATED PARTY TRANSACTIONS

For details on Related Party Transactions of our Company, please refer to Annexure 14 of restated financial statement under the section titled “*Financial Information*” on page 99 of the Draft Letter of Offer.

## **DIVIDEND POLICY**

Under the Companies Act, our Company can pay dividends upon a recommendation by our Board of Directors and approval by a majority of the shareholders at the General Meeting. The shareholders of our Company have the right to decrease not to increase the amount of dividend recommended by the Board of Directors. The dividends may be paid out of profits of our Company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both. The Articles of Association of our Company also gives the discretion to our Board of Directors to declare and pay interim dividends.

There are no dividends declared by our Company since incorporation.

Our Company does not have any formal dividend policy for the Equity Shares. The declaration and payment of dividend will be recommended by our Board of Directors and approved by the shareholders of our Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, applicable Indian legal restrictions and other factors considered relevant by our Board of Directors.

## SECTION V - FINANCIAL INFORMATION

### Financial Information of Our Company

#### Auditors' Report

To,

The Board of Directors,

**Channel Nine Entertainment Limited**

3/12, Ground Floor, Asaf Ali Road,  
New Delhi-110002

Dear Sirs,

We have examined the Financial Information of **Channel Nine Entertainment Limited** (the Company') described below and annexed to this report for the purpose of inclusion in the offer document. The Financial Information has been prepared in accordance with the requirements of paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act'), The Securities and Exchange Board of India (SEBI) - Issue of Capital and Disclosure Requirements Regulations, 2009 ('ICDR Regulations') notified on August 26, 2009, the Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India (ICAI) and in terms of the engagement agreed upon by us with the Company.

The Financial Information has been approved by its Board of Directors and Audit Committee of Board of Directors.

Company proposes to make Rights Issue of 77,63,200 Equity Shares on Rights Basis in the ratio of One (1) Rights Equity Share for Every Two (2) Equity Share held by the existing equity shareholders.

The Company has been incorporated on 25<sup>th</sup> July, 2002. In terms of Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009 and other provisions relating to accounts of **Channel Nine Entertainment Limited**, we, M/s. Ramanand & Associates, Chartered Accountants, have been subjected to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board' of the ICAI.

#### A. Financial Information:

We have examined:

- a. the attached Statement of Assets and Liabilities, as Restated as at year ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014 (Annexure 1);
- b. the attached Statement of Profits and Losses, as Restated for the year ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014 (Annexure 2);
- c. the attached Statement of Cash Flows, as Restated for the year ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014 (Annexure 3);
- d. the significant accounting policies adopted by the Company and notes to the Restated Financial Statements along with adjustments on account of audit qualifications / adjustments / regroupings. (Annexure 4);

(Collectively hereinafter referred as "Restated Financial Statements")

The Restated Financial Statements have been extracted from audited Financial Statements of the Company for the year ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014 which have been approved by the Board of Directors.

Based on our examination and in accordance with the requirements of the Act, ICDR Regulations, we state that:

- Restated Statement of Assets and Liabilities of the Company as at March 31, 2009, 2010, 2011, 2012, 2013 and 2014 are as set out in Annexure 1, which are after making such material adjustments and regroupings as, in our opinion are appropriate, and are to be read with the significant accounting policies and notes thereon in Annexure 4;
- Restated Statement of Profits and Losses of the Company for the year ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014 are as set out in Annexure 2, which have been arrived at after making such material adjustments and regroupings to the audited financial statements as, in our opinion are appropriate, and are to be read with the significant accounting policies and notes thereon in Annexure 4;
- Restated Statement of Cash Flows of the Company for the year ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014 are as set out in Annexure 3 after making such material adjustments and regroupings;
- Adjustments for any material amounts in the respective financial years have been made to which they relate; and
- There are no Extra-ordinary items that need to be disclosed separately in the Restated Summary Statements or Auditor's qualification requiring adjustments.
- Adjustments in Financial Statements has been made in accordance with the correct accounting policies
- There was no change in accounting policies, which needs to be adjusted in the "Restated Financial Statements".
- There are no revaluation reserves, which need to be disclosed separately in the "Restated Financial Statements".
- There are no audit qualifications in the "Restated Financial Statements".

#### **B. Other Financial Information:**

We have also examined the following Financial Information relating to the Company, which is based on the Restated Financial Statements and approved by the Board of Directors of the Company and annexed to this report, is proposed to be included in the Offer Document:

1. Statement of Details of Reserves & Surplus as at March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 5** to this report.
2. Statement of Accounting Ratios for the year ended on March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 6** to this report.
3. Capitalization Statement and as at 31<sup>st</sup> March 2014 as set out in **Annexure 7** to this report.
4. Statement of Tax Shelters for the year ended on March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 8** to this report.
5. Statement of Unsecured Loans as at March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 9** to this report.
6. Statement of Details of Sundry Debtors as at March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 10** to this report.
7. Statement of Details of Deposits, Loans and Advances as at March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 11** to this report.
8. Statement of Details of Current Liabilities and Provisions as at March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 12** to this report.
9. Statement of Details of Contingent Liabilities for the year ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 13** to this report.
10. Statement of Details of Related Party Transactions of the Company for the year ended on March 31, 2009, 2010, 2011, 2012, 2013 and 2014 as set out in **Annexure 14** to this report.



In our opinion, the "Restated Financial Statements" and "Other Financial Information" mentioned above contained in Annexure 1 to 14 of this report have been prepared in accordance with Part II of Schedule II to the Act, the SEBI Guidelines and the Guidance Note on the reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India (ICAI).

Consequently the financial information has been prepared after making such regroupings and adjustments as were, in our opinion, considered appropriate to comply with the same. As result of these regroupings and adjustments, the amount reported in the financial information may not necessarily be same as those appearing in the respective audited financial statements for the relevant years.

This report should not in any way be construed as a reissuance or redating of the previous audit report, nor should this be construed as a new opinion on any of the financial statements referred to herein.

We have no responsibility to update our report for events and circumstances occurring after the date of the report.

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

It is to be noted that Statutory Audit for the F.Y. 2008-09 & 2009-10 has been done by V. Kaushik & Co. Chartered Accountants and for the F.Y. 2010-11, 2011-12, 2012-13 & 2013-14 has been done by Ranjan Gupta & Co. Chartered Accountants.

**For Ramanand & Associates**

**Chartered Accountants**

**Firm Regn. No.: 117776W**

**Sd/-**

**CA Ramanand Gupta**

**Partner**

**Membership No. 103975**

**Place: Mumbai**

**Date: 30.05.2014**

**ANNEXURE-01**

**STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Equity &amp; Liabilities</b>						
<b>Shareholders' Funds</b>						
Share Capital	1,552.64	1552.64	53.01	46.71	46.71	46.71
Reserve & Surplus	734.22	728.95	503.40	29.82	34.01	35.63
<b>Total (A)</b>	<b>2286.86</b>	<b>2281.59</b>	<b>556.41</b>	<b>76.53</b>	<b>80.72</b>	<b>82.34</b>
<b>Non-Current Liabilities</b>						
Share Application Money		-	-	-	-	-
Long Term Borrowings		-	-	-	-	-
Deferred Tax Liabilities (Net)	16.74	8.52	6.82	6.82	4.48	2.86
Other Long Term Liabilities	230.00					
Long Term Provisions						
<b>Total (B)</b>	<b>246.74</b>	<b>8.52</b>	<b>6.82</b>	<b>6.82</b>	<b>4.48</b>	<b>2.86</b>
<b>Current Liabilities</b>						
Short Term Borrowings	-	-	-	-	-	-
Trade Payables	170.68	67.95	0.01	94.35	88.18	86.17
Other Current Liabilities	124.74	17.19	3.65	-	-	-
Short Term Provisions	3.34	5.87	0.05	0.05	0.10	0.09
<b>Total (C)</b>	<b>298.76</b>	<b>91.01</b>	<b>3.71</b>	<b>94.40</b>	<b>88.28</b>	<b>86.26</b>
<b>Total (D=A+B+C)</b>	<b>2832.36</b>	<b>2381.12</b>	<b>566.94</b>	<b>177.75</b>	<b>173.48</b>	<b>171.46</b>
<b>Assets</b>						
Fixed Assets	680.91	700.10	369.68	5.47	6.34	10.97
Non-Current Investments	299.28	269.28	30.41	30.41	30.41	26.41
Long Term Loans & Advances	19.64	19.64	7.97	7.97	7.97	7.97
Other Non-Current Assets	48.51	-	-	-	0.18	0.36
<b>Total (E)</b>	<b>1048.34</b>	<b>989.01</b>	<b>408.06</b>	<b>43.85</b>	<b>44.90</b>	<b>45.71</b>
<b>Current Assets</b>						
Current Investments	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Trade Receivables	342.75	249.76	73.31	48.68	45.37	44.44
Cash & Bank Balances	15.83	65.94	2.96	2.36	2.85	2.05
Short Term Loans & Advances	1398.07	1044.71	82.61	82.86	80.36	79.26
Other Current Assets	27.37	31.69	-	-	-	-
<b>Total (F)</b>	<b>1784.02</b>	<b>1392.10</b>	<b>158.88</b>	<b>133.90</b>	<b>128.58</b>	<b>125.75</b>
<b>Total (G=E+F)</b>	<b>2832.36</b>	<b>2381.12</b>	<b>566.94</b>	<b>177.75</b>	<b>173.48</b>	<b>171.46</b>

## ANNEXURE-02

## STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Income:</b>						
Income from Operations	261.20	260.45	-	2.40	7.09	6.00
Other Income	23.90	54.34	25.30	-	-	-
Increase / (Decrease) in Stock in Trade		-	-	-	-	-
<b>Total</b>	<b>285.10</b>	<b>314.79</b>	<b>25.30</b>	<b>2.40</b>	<b>7.09</b>	<b>6.00</b>
<b>Expenditure:</b>						
Purchases and cost of digital contents	196.80	256.67	-	-	-	-
Employees Cost	8.33	4.85	0.91	0.72	0.84	0.60
Other Expenses	8.75	8.51	4.48	2.66	5.37	4.26
Preliminary & Issue Expenses	14.21	7.92	-	-	-	-
<b>Total</b>	<b>228.09</b>	<b>277.95</b>	<b>5.39</b>	<b>3.38</b>	<b>6.21</b>	<b>4.86</b>
Profit before Depreciation, Interest & Tax	<b>57.01</b>	<b>36.84</b>	<b>19.91</b>	<b>(0.98)</b>	<b>0.88</b>	<b>1.14</b>
Depreciation	40.29	20.32	10.78	0.88	0.83	1.10
<b>Profit before Interest &amp; Tax</b>	<b>16.72</b>	<b>16.52</b>	<b>9.13</b>	<b>(1.86)</b>	<b>0.05</b>	<b>0.04</b>
Interest & Finance charges		-	-	-	-	-
<b>Profit before Taxes</b>		<b>16.52</b>	<b>9.13</b>	<b>(1.86)</b>	<b>0.05</b>	<b>0.04</b>
Provision for Taxes						
- Current Tax	-	-	1.74	2.34	1.67	(0.05)
- Minimum Alternative Tax	3.23	3.15	-	-	-	-
- Deferred Tax	8.22	1.69	-	-	-	-
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>5.26</b>	<b>11.68</b>	<b>7.39</b>	<b>(4.20)</b>	<b>(1.62)</b>	<b>(0.01)</b>
Extra Ordinary Items (Net of Tax)	-	-	-	-	-	-
<b>Net Profit</b>	<b>5.26</b>	<b>11.68</b>	<b>7.39</b>	<b>(4.20)</b>	<b>(1.62)</b>	<b>(0.01)</b>

**ANNEXURE-03**

**STATEMENT OF CASH FLOW, AS RESTATED**

	(Rs. In Lacs)					
<b>Particulars</b>	<b>31.03.14</b>	<b>31.03.13</b>	<b>31.03.12</b>	<b>31.03.11</b>	<b>31.03.10</b>	<b>31.03.09</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit before tax	16.72	11.68	9.13	(1.86)	0.05	0.04
<b>Adjustment for:</b>		-				
Add: Depreciation	40.29	20.32	10.78	0.88	0.83	1.10
Add: Preliminary Expenses	14.21	7.92	-	0.18	0.18	0.18
Less: Interest Received	(23.90)	(1.44)	-			
<b>Operating Profit before Working capital changes</b>	<b>47.32</b>	<b>38.47</b>	<b>19.91</b>	<b>(0.80)</b>	<b>1.06</b>	<b>1.32</b>
<b>Adjustments for:</b>		-				
Decrease (Increase) in Trade & Other Receivables	(92.99)	(176.45)	(24.63)	(3.30)	(0.93)	(7.42)
Decrease (Increase) in Inventories	-	-	-			
Decrease (Increase) in Loans & Advances	(353.35)	(250.54)	0.25	(2.50)	(1.10)	(1.04)
Increase (Decrease) in Trade & Other Payables	102.72	-				
Decrease /(increase) in other Assets		-				
Increase (Decrease) in Current Liabilities	104.95	89.00	(92.44)	6.16	2.02	13.45
<b>Net Changes in Working Capital</b>	<b>(238.67)</b>	<b>(338.00)</b>	<b>(116.82)</b>	<b>0.36</b>	<b>(0.01)</b>	<b>4.99</b>
<b>Cash Generated from Operations</b>	<b>(191.35)</b>	<b>(299.52)</b>	<b>(96.91)</b>	<b>(0.44)</b>	<b>1.05</b>	<b>6.31</b>
<b>Taxes</b>	<b>3.15</b>	<b>-</b>	<b>-</b>	<b>(0.05)</b>	<b>(0.04)</b>	<b>(0.03)</b>
<b>Net Cash Flow from Operating Activities (A)</b>	<b>(194.50)</b>	<b>(299.52)</b>	<b>(96.91)</b>	<b>(0.49)</b>	<b>1.01</b>	<b>6.28</b>
		-				
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		-				
Sale / (Purchase) of Fixed Assets	(21.11)	(350.73)	(375.00)	-	3.79	(0.16)
Interest Received	23.90	1.44				
Sale / (Purchase) of Investments	(30.00)	(962.10)			(4.00)	-
Decrease (Increase) in Non Current Assets	(53.90)	-				
<b>Net Cash Flow from Investing Activities (B)</b>	<b>(81.11)</b>	<b>(1,311.39)</b>	<b>(375.00)</b>	<b>-</b>	<b>(0.21)</b>	<b>(0.16)</b>
		-				
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		-				
Issue of share capital and Proceeds from Share Application Money	-	1,713.50	472.50	-	-	(5.35)
Increase / (Repayment) of Secured/unsecured loans	230.00	-	-	-	-	-
Preliminary Expenses incurred	(4.50)	(39.61)	-	-	-	-
<b>Net Cash Flow from Financing Activities (C)</b>	<b>225.50</b>	<b>1,673.89</b>	<b>472.50</b>	<b>-</b>	<b>-</b>	<b>(5.35)</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash</b>	<b>(50.11)</b>		<b>0.60</b>	<b>(0.49)</b>	<b>0.8</b>	<b>0.77</b>

<b>Equivalents</b>		<b>62.98</b>				
		-				
Cash and cash equivalents at the beginning of the year / Period	65.94	2.96	2.36	<b>2.85</b>	<b>2.05</b>	<b>1.28</b>
<b>Cash and cash equivalents at the end of the year/ Period</b>	<b>15.83</b>	<b>65.94</b>	<b>2.96</b>	<b>2.36</b>	<b>2.85</b>	<b>2.05</b>
<b>Note:</b> The above Cash Flow Statement has been prepared under "Indirect Method" as set out in the Accounting Standard (AS) - 3 on Cash Flow Statements" issued by the Institute of Chartered of Accountants of India.						

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT FOR PREPARATION OF RESTATED FINANCIAL STATEMENT**

**A. SIGNIFICANT ACCOUNTING POLICIES:**

**1. Basis of Preparation of Financial Statements**

The Restated Financial Statements have been prepared under Historical Cost conventions and on accrual basis in accordance with the Generally Accepted Accounting Principles ('GAAP') applicable in India, Companies (Accounting Standard) Rules, 2006 notified by Ministry of Company Affairs and Accounting Standards issued by the Institute of Chartered Accountants of India as applicable and relevant provisions of the Companies Act, 1956, as adopted consistently by the Company.

**2. Use of Estimates**

The preparation of Financial Statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made, that affects the reported amounts of assets and liabilities on the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known / materialized.

**3. Fixed Assets**

Fixed Assets are capitalized at cost inclusive of erection expenses & other incidental expenses in connection with the acquisition of assets, net of VAT, if any, less accumulated depreciation. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

**4. Depreciation / Amortization**

Depreciation on fixed assets is provided on Written Down Value Method (WDV) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. In respect of additions made or asset sold / discarded during the year pro-rata Depreciation has been provided.

**5. Inventories**

The inventories of the company are valued as per cost price and market price whichever is less however company does not have any inventories.

**6. Revenue Recognition**

Revenue from sales transactions is recognized as and when the property in goods is sold /transferred to the buyer for a definite consideration.

Other Income has been recognized on the basis of Accounting Standard - 9 (Revenue Recognition) notified by the Companies (Accounting Standards) Rules, 2006.

**7. Preliminary and Pre-operative expenses:**

Preliminary and pre-operative expenses are amortized over a period of five years in equal installments in accordance with matching concept however the same is contrary to AS-26.

**8. Investment**

Investments that are readily realizable and intended to be held for not more than a year are classified as "Current Investments". All other Investments are classified as Long Term Investments. Current Investments are carried at lower of cost or Market / Fair Value determined on an individual investment basis. Long Term investments are valued at cost. Provision for diminution in the value of long-term investment is made only if such decline is other than temporary in nature.

## **9. Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

## **10. Taxation**

Tax expenses for the year comprise of current tax and deferred tax. Current tax is measured after taking into consideration the deductions and exemptions admissible under the provision of Income Tax Act, 1961.

Deferred Tax assets or liabilities are recognized for further tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates and in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", issued by ICAI. At each Balance Sheet date the Company reassesses unrecognized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

No Tax whether current or deferred has been charged on exempted incomes.

## **11. Leases**

### **Finance Lease**

Leases which effectively transfer to the Company all risks and benefits incidental to ownership of the leased item are classified as Finance Lease. Lease rentals are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return.

### **Operating Lease**

Lease where the lesser effectively retains substantially all risks and benefits of the asset are classified as Operating lease. Operating lease payments are recognized as an expense in the Profit & Loss account on a Straight Line Basis over the Lease term.

## **12. Impairment of Assets**

As on Balance Sheet date, the Company reviews the carrying amount of Fixed Assets to determine whether there are any indications that those assets have suffered "Impairment Loss". Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

## **13. Foreign Exchange Transactions**

- i) Transactions in Foreign currency are recorded at the rate of exchange prevailing on the date of the respective transactions.
- ii) Yearend balance of monetary assets and liabilities are translated at the yearend rates. Exchange differences arising on restatement or settlement are charged to Profit and Loss Account.

## **14. Earnings per Share**

In determining the Earnings Per share, the company considers the net profit after tax which includes any post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

The number of shares used in computing Diluted earnings per share comprises the weighted average number of shares considered for computing Basic Earnings per share and also the weighted number of equity shares that would have been issued on conversion of all potentially dilutive shares.

In the event of issue of bonus shares, or share split the number of equity shares outstanding is increased without an increase in the resources. The number of Equity shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event had occurred at the beginning of the earliest period reported.

## 15. Contingent Liabilities & Provisions

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made.

Contingent Liability is disclosed for

- Possible obligation which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from the past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.
- Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

## B. CHANGES IN ACCOUNTING POLICIES IN THE YEARS/PERIODS COVERED IN THE RESTATED FINANCIALS

There is no change in significant accounting policies during the reporting period except, as and when Accounting Standards issued by the Institute of Chartered Accountants of India / Companies (Accounting Standard) Rules, 2006 were made applicable on the relevant dates.

## C. NOTES ON RESTATED FINANCIAL STATEMENTS

### 1. NOTES ON RESTATEMENTS MADE IN THE RESTATED FINANCIALS

#### MATERIAL ADJUSTMENTS [AS PER SEBI (ICDR) REGULATIONS, 2009]

The reconciliation of Profit after tax as per audited results and the Profit after tax as per Restated Accounts is presented below. This summarizes the results of restatements made in the audited accounts for the respective years and its impact on the profit & losses of the company.

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Profit after tax before appropriation (as per Audited accounts)	5.26	11.68	7.39	(4.19)	(1.63)	(0.03)
Adjustments	-	-	-	-	-	-
Profit after Tax as per Restated Profit & Loss Account	5.26	11.68	7.39	(4.19)	(1.63)	(0.03)

## 2. Other Notes

### 1. General

The Company was incorporated during the year 2002 and restated financial statements has been prepared for the fiscal year ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014.

### 2. Segment Reporting

Based on the guidelines of Accounting Standards on segment reporting(AS-17) issued by The Institute of Chartered Accountants of India, the Company was engaged in one business segment, viz., Media & Entertainment Operations in the context of accounting standards 17 on Segment Reporting issued by ICAI . The company is not operating in any of the geographical segment.

### 3. Earnings per Share

The details of Earnings per Share as per AS-20 are provided in Annexure 6.

### 4. Related Party Transactions:

The details of Related Party Transactions as per Accounting Standard -18 are provided in Annexure 14.



*As per the Auditors report the firms or other Parties covered under section 301 of the Companies Act, 1956. The Terms and condition of which are prima facie prejudicial to the company to the extent of interest not charged.*

**5. Particulars of Lease**

The Company has not made any lease payment during the reporting period.

**6. Gratuity:**

Provision for gratuity has not been made since five years has not been elapsed since the incorporation of Company

7. The company is not having any earning / Expenditure in Foreign Currency.

8. The company has not given any guarantee to bank or corporate and the company is no having any contingent liability.

9. The figures in the Restated Financial Statements and Other Financial Information are stated in Lacs and rounded off to two decimals and minor rounding off difference is ignored.

**Annexure- 05**

**STATEMENT OF RESERVES & SURPLUS, AS RESTATED**

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Profit / (Loss) Brought Forward	19.59	7.91	0.52	4.72	6.34	6.35
Add: Profit / (Loss) for the Year	5.26	11.68	7.39	(4.20)	(1.62)	(0.01)
Less: Capitalized for Bonus Issue	-	-	-	-	-	-
Profit / (Loss) Carried Forward (A)	24.85	19.59	7.91	0.52	4.72	6.34
Securities Premium (B)	709.36	709.36	495.49	29.29	29.29	29.29
<b>Reserves &amp; Surplus (A+B)</b>	<b>734.21</b>	<b>728.85</b>	<b>503.40</b>	<b>29.81</b>	<b>34.01</b>	<b>35.63</b>

## Annexure-06

### STATEMENT OF ACCOUNTING RATIOS

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Net worth ( A )	2238.35	2249.91	556.41	76.53	80.53	81.99
Net Profit after Tax ( B )	5.26	11.68	7.39	(4.20)	(1.62)	(0.01)
No. of Shares outstanding at the end [F.V Rs.10] ( C )	15526400	15526400	530100	467100	467100	467100
Weighted Average No. of Shares [F.V Rs.10] - Pre Bonus Issue ( D )	15526400	9887263	516775	467100	467100	467100
Earnings per Share (EPS) ( B / D ) (Rs.)	0.034	0.118	1.43	(0.90)	0.00	0.00
Return on Net worth ( B / A )	0.23%	0.52%	1.33%	(5.49%)	(0.01%)	0.02%
Net Assets Value per Share ( A / C )	14.42	14.49	104.96	16.38	17.55	17.51

Definitions of key ratios:

- Earnings per share (Rs.):** Net Profit attributable to equity shareholders / weighted average number of equity shares. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings per Share" as issued by The Institute of Chartered Accountants of India. As per AS-20, the number of equity shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event had occurred at the beginning of the earliest period reported. In case of a bonus issue after the Balance Sheet date but before the date on which the Financial Statements are approved by the Board of Directors', the per share calculations for those Financial statements and any prior period Financial Statements presented are based on the new no. of shares. Weighted average number of equity shares outstanding during all the previous years have been considered accordingly.
- Return on Net Worth (%):** Net Profit after tax / Net worth as at the end of the year / period
- Net Asset Value (Rs.):** Net Worth at the end of the year / weighted average number of equity shares.
- Net Profit, as appearing in the Statement of restated profits and losses, and Net Worth as appearing in the restated statement of Assets & Liabilities has been considered for the purpose of computing the above ratios.

## Annexure- 07

### CAPITALIZATION STATEMENT

Particulars	Pre-issue as at 31.03.14	Post Issue *
<b>Borrowing</b>		
Short - Term Debt (Including unsecured Loans)	-	
Long - Term Debt	230.00	
<b>Total Debt</b>	-	
<b>Shareholders' Funds</b>		
Share Capital		
- Equity	1552.64	
Less: Calls - in - arrears	-	
- Preference	-	
Reserves & Surplus	734.21	
Less: Miscellaneous Expenditure not written off	(48.51)	
<b>Total Shareholders' Funds</b>	<b>2238.34</b>	
<b>Long - Term Debt / Shareholders Fund</b>	<b>0.10</b>	
<b>Short - Term Debt / Shareholders Fund</b>	<b>-</b>	

\* The Post Issue Capitalization will be determined only after the completion of the allotment of equity shares.

**Annexure- 08**

**STATEMENT OF TAX SHELTERS**

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Profit before tax as per Restated P/L	16.72	16.52	9.13	(1.86)	0.05	0.04
Applicable Corporate Tax Rate	32.45%	32.45%	30.90%	30.90%	30.90%	30.90%
Tax at Notional Rate (A)	5.43	5.36	2.82	(0.57)	0.02	0.01
<b>Adjustments</b>						
Exempt Incomes	-	-	-	-	-	-
Difference been depreciation as per Companies Act and Income Tax Act	-	-	-	-	-	-
<b>Other Adjustments</b>						
Interest Income	-	-	-	-	-	-
Unabsorbed Depreciation	(76.60)	(33.96)	-	-	-	-
<b>Net Adjustments</b>						
Tax Expenses / (Savings) thereon (B)	(24.85)	(11.02)	-	-	-	-
Total Tax Payable (C=A+B)	(19.43)	(5.66)	-	-	-	-
Tax Payable as per Minimum Alternate Tax u/s 115 JB of Income Tax Act, 1961 (D)	3.23	3.15	1.69	(0.28)	0.01	0.00
Net Tax (Higher of C & D)	3.23	3.15	2.82	-	0.02	0.01

**Annexure - 09**

**STATEMENT OF UNSECURED LOANS**

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Inter Corporate Loans	230.00	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

*Terms of Unsecured Loans: Interest Free, Repayable on Demand*

**Annexure-10**

**STATEMENT OF SUNDRY DEBTORS**

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>(A) Unsecured, Considered good outstanding for a period less than six months</b>						
Amount due from Promoter/Group Companies and Directors						-
Others	244.48	116.49	-	-	45.37	44.45
<b>(B) Unsecured, Considered good outstanding for a period more than six months</b>						
Amount due from Promoter / Group Companies and Directors	-	-	2.55	-	-	
Others	98.27	133.27	70.76	48.68	-	
<b>Total</b>	<b>342.75</b>	<b>249.76</b>	<b>73.31</b>	<b>48.68</b>	<b>45.37</b>	<b>44.45</b>

## Annexure-11

## STATEMENT OF DEPOSITS, LOANS &amp; ADVANCES

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Advances recoverable in cash or kind</b>						
Due from Promoter / Group Companies / Director	-	-	-	2.65	2.65	-
Others	1398.07	1044.71	82.61	80.21	77.71	79.26
TDS deducted at Source	0.25	0.25	0.25	0.25	0.25	0.25
<b>Deposits</b>						
Due from Promoter / Group Companies / Director	-	-	-	-	-	-
Others	19.39	19.39	7.72	7.72	7.72	7.72
<b>Total</b>	<b>1417.71</b>	<b>10.64.35</b>	<b>90.58</b>	<b>90.83</b>	<b>88.33</b>	<b>87.23</b>

## Annexure-12

## STATEMENT OF CURRENT LIABILITIES &amp; PROVISIONS

(Rs. In Lacs)

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Current Liabilities</b>						
<u>Sundry Creditors for Goods</u>						
Amount due to Promoter /Group Company / Directors	-	-	0.01	6.76	86.92	6.60
Others	170.68	67.95	-	-	-	-
<u>Other Outstanding liabilities:</u>						
Amount due to Promoter /Group Company / Directors		-	0.39	87.46	-	79.30
Others	124.02	17.18	1.51	0.13	1.27	0.27
<b>Sub Total (A)</b>	<b>294.70</b>	<b>85.13</b>	<b>1.91</b>	<b>94.35</b>	<b>88.19</b>	<b>86.17</b>
<b>Provisions</b>						
Income Tax	3.23	3.15	1.74	-	0.05	0.04
FBT	-	-	-	-	-	-
Deferred Tax	16.74	8.52	6.82	6.82	4.48	2.86
Other Provision	0.83	2.72	0.05	0.05	0.05	0.05
<b>Sub Total (B)</b>	<b>20.80</b>	<b>14.39</b>	<b>8.61</b>	<b>6.87</b>	<b>4.58</b>	<b>2.95</b>
<b>Total (A+B)</b>	<b>315.50</b>	<b>99.52</b>	<b>10.52</b>	<b>101.22</b>	<b>92.77</b>	<b>89.12</b>

## Annexure-13

## STATEMENT OF DETAILS OF CONTINGENT LIABILITIES

(Rs. In Lacs)

Particulars	31.12.13	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Contingent Liabilities	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Annexure-14**  
**STATEMENT OF DETAILS OF RELATED PARTY TRANSACTIONS**

Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Transactions with Related Parties (Rs. in Lacs)</b>						
<b>REVENUE ITEMS</b>						
<b>Rent Received</b>						
Promoters and Directors	-	1.80	3.60	3.00	2.40	2.40
Group Companies						
<b>Payment of Remuneration</b>						
Promoters and Directors:	3.00	-	-	-	-	-
<b>NON REVENUE ITEMS:</b>						
<b>Parties where control exists:</b>						
<b>Capital Contribution:</b>						
Promoters and Directors:	-	67.50	5.62	115.35	-	-
<b>Other Parties:</b>						
<b>Loan taken:</b>						
Group Companies						
Promoters and Directors	-	-	-	8.75	1.53	9.67
<b>Loan Repaid:</b>						
Promoters and Directors	-	34.00	113.00	-	-	-
<b>Loan given:</b>						
Group Companies						
<b>Loan Received back:</b>						
Group Companies						
<b>Assets Purchased:</b>						
Director						

## MANAGEMENT DISCUSSION & 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 audited restated financial statements prepared in accordance with paragraph B of Part II of Schedule II to the Companies Act and SEBI (ICDR) Regulations, including the schedules, annexure and notes thereto and the reports thereon of each of the financial years ended March 31, 2009, 2010, 2011, 2012, 2013 and 2014 in the chapter titled "Financial Information" on page 85 of the Draft Letter of Offer. The following discussion relates to our Company and, unless otherwise stated, is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the Accounting Standards and other applicable provisions of the Companies Act and the SEBI (ICDR) Regulations. Our fiscal year ends on March 31 of each year so accordingly all references to a particular financial year are to the twelve months ended March 31 of that year.*

### OVERVIEW OF THE BUSINESS

#### THE INDUSTRY OVERVIEW

##### MEDIA & ENTERTAINMENT INDUSTRY IN INDIA:

The Indian M&E industry grew from INR 652 billion in 2010 to INR 728 billion in 2011, registering an overall growth of 12 percent. Backed by strong consumption in Tier 2 and 3 cities, continued growth of regional media and fast increasing new media businesses, the industry is estimated to achieve a growth of 13 percent in 2012 to touch INR 823 billion. Going forward, the sector is projected to grow at a healthy CAGR of 14.9 percent to reach INR 1,457 billion by 2016.

While television continues to be the dominant medium, sectors such as animation and VFX, digital advertising and gaming are fast increasing their share in the overall pie. Radio is expected to display a healthy growth rate after the implementation of Phase 3. Print, while witnessing a decline in growth rate, will still continue to be the second largest medium in the Indian M&E industry. A lot will depend on how well the print players are able to adapt to fast changing reader habits and news consumption patterns.

#### BUSINESS OVERVIEW

Our Company was incorporated in New Delhi as "Channel Nine Entertainment Limited" on 25th July, 2002 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana.

We are engaged in the business of production, marketing of television serials, films, video films, advertisement films, Corporate films, feature films, documentaries and marketing of sports and entertainment events.

#### FACTORS AFFECTING OUR FUTURE RESULTS OF OPERATIONS

Our results of operations could potentially be affected by the following factors amongst others:

- Changes in government policies
- Material changes in the duty or tax structure
- Competition from existing and new entrants
- Audiences taste and behavior
- Advertising budgets of sponsors

## DISCUSSION ON THE RESULTS OF OPERATIONS

The following discussion on the financial operations and performance is based on our restated financial statements for the FY 2008-2009, 2009-10, 2010-2011, 2011-2012 , 2012-13 & 2013-14. The same should be read in conjunction with the restated audited financial results of our Company for the years ended March 31 2009 , 2010, 2011, 2012, 2013 and 2014.

### Analysis on Results of Operation

Considering the various Key factors affecting our income and expenditure, our results of operations may vary from period to period. The following table sets forth certain information with respect to our results of operations for the periods indicated read together with notes to accounts, accounting policies and auditor's report as appearing in this Draft Letter of Offer.

	(Rs. In Lacs)					
Particulars	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03. 09
Total Income (including Other Income)	285.1	314.79	25.3	2.4	7.09	6.0
Increase/ (Decrease) (%)	-9%	1144%	954%	-66%	18%	
Expenditure:						
Purchases and cost of digital contents	196.8	256.67	-	-	-	-
Increase/ (Decrease) (%)	-23%	-	-	-	-	-
Employees Expenses	8.33	4.85	0.91	0.72	0.84	0.60
Increase/ (Decrease) (%)	72%	433%	26%	-14%	40%	-
Other Administrative & Selling Expenses	8.75	8.51	4.48	2.66	5.37	4.26
Increase/ (Decrease) (%)	3%	90%	68%	-50%	26%	-
Preliminary & Issue Expenses	14.21	7.92	-	-	-	-
Increase/ (Decrease) (%)	79%	-	-	-	-	-
Total	228.09	277.95	5.39	3.38	6.21	4.86
Profit before Depreciation, Interest and Tax	57.01	36.84	19.91	-0.98	0.88	1.14
Increase/ (Decrease) (%)	55%	85%	-2132%	-211%	-23%	
Depreciation	40.29	20.32	10.78	0.88	0.83	1.1
Increase/ (Decrease) (%)	98%	88%	1125%	6%	-25%	
Profit before Interest & Tax	16.72	16.52	9.13	-1.86	0.05	0.04
Increase/ (Decrease) (%)	1%	81%	-591%	-3820%	25%	
Interest & Finance Charges	0	0	0	0	0	0
Increase/ (Decrease) (%)	-	-	-	-	-	-
Net Profit before Tax	16.72	16.52	9.13	(1.86)	0.05	0.04
Increase/ (Decrease) (%)	1%	81%	-591%	-3820%	25%	
Less: Provision for Taxes	11.45	4.84	1.74	2.34	1.67	0.05
Net Profit After Tax & Before Extraordinary Items	5.27	11.68	7.39	(4.20)	(1.62)	(0.01)
Increase/ (Decrease) (%)	-55%	58%	-276%	159%	16100%	

#### **COMPARISON OF FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2014 WITH FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013**

**Income:** Our income from operations for the financial year ended 31<sup>st</sup> March, 2014 is Rs. 261.20 Lacs as against the total of Rs. 260.45 Lacs for the fiscal 2013 which is increase of 0.29%. Other Income registered a decrease from Rs.54.34 lacs in fiscal 2013 to Rs. 23.90 lacs in fiscal 2014

**Expenditure:** The employee's expenses have registered an increase of 72% at Rs. 8.33 Lacs in fiscal 2014 as compared to Rs.8.51 Lacs for the fiscal 2013; Other Operative Expenses have registered increase of 3% at Rs. 8.75 Lacs in fiscal 2014 as compared to Rs. 8.51 Lacs in fiscal 2013. Purchases and cost of digital contents saw an decrease of 23% from 256.67 in fiscal 2013 to 196.8 in fiscal 2014. It can be say in other words that the Margin / Gross Profit of the company has increased from 1.45 % to 24.65 %.

**Profits after Taxes (PAT):** PAT of Company decreased by 55% at Rs. 5.27 Lacs for fiscal 2014 as against Rs. 11.45 Lacs for fiscal 2013 due to decrease in the revenue and increase registered in manpower expenses.

#### **COMPARISON OF FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 WITH FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2012**

**Income:** Our turnover for the financial year ended 31<sup>st</sup> March, 2013 was at Rs. 314.79 Lacs as against the total of Rs 25.30 Lacs for the fiscal 2012 with an increase of 1144.23% and such increase was attributed to rise in film Consultancy & promotion and website development & maintenance activities during fiscal 2013.

**Expenditure:** The employee's expenses have registered an increase of 432.97 % at Rs. 4.85 Lacs in fiscal 2013 as compared to Rs.0.91Lacs for the fiscal 2012; Other Operative Expenses have registered increase of 89.96 % at Rs. 8.51 Lacs in fiscal 2013 as compared to Rs. 4.48 Lacs in fiscal 2012. The rise in expenses in fiscal 2013 is basically in line with increase in turnover.

**Profits after Taxes (PAT):** PAT of Company has recorded a growth of 58.05 % at Rs. 11.68 Lacs for fiscal 2013 as against Rs. 7.39 Lacs for fiscal 2012 due to higher base of revenue.

#### **COMPARISON OF FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2012 WITH FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2011**

**Income:** Our turnover for the financial year ended 31<sup>st</sup> March, 2012 was at Rs. 25.30 Lacs as against the total of Rs 2.40 Lacs for the fiscal 2011 with an increase of 954.17% and such increase was attributed to rise in film Consultancy & promotion and website development & maintenance activities during fiscal 2012.

**Expenditure:** The employee's expenses have registered an increase of 26.39 % at Rs. 0.91 Lacs in fiscal 2012 as compared to Rs. 0.72 Lacs for the fiscal 2011; Other Operative Expenses have registered increase of 68.42 % at Rs. 4.48 Lacs in fiscal 2012 as compared to Rs. 2.66 Lacs in fiscal 2011. The rise in expenses in fiscal 2012 is basically in line with increase in turnover.

**Profits after Taxes (PAT):** PAT of Company has recorded a growth of 275.95 % at Rs. 7.39 Lacs for fiscal 2012 as against Rs. (4.20) Lacs for fiscal 2011 due to higher base of revenue.

#### **COMPARISON OF FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2011 WITH FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2010**

**Income:** Our turnover for the financial year ended 31<sup>st</sup> March, 2011 was at Rs. 2.40 Lacs as against the total of Rs. 7.09 Lacs for the fiscal 2010 with an decrease of 66.15 % and such decrease was attributed to short fall in film consultancy & promotion activity during fiscal 2011.

**Expenditure:** The employee's expenses have registered decrease of 14.29% at Rs. 0.72 Lacs in fiscal 2011 as compared to Rs. 0.84 Lacs for the fiscal 2010; Other Operative Expenses have registered decrease of 50.47 % at Rs. 2.66 Lacs in fiscal 2011 as compared to Rs. 5.37 Lacs in fiscal 2010. The short fall in expenses during fiscal 2011 is basically in line with decrease in turnover.

**Profits after Taxes (PAT):** PAT of Company has recorded a decline of 159.26% at Rs. (4.20) Lacs for fiscal 2011 as against Rs. (1.62) Lacs for fiscal 2010.



## COMPARISON OF FINANCIAL YEAR ENDED 31st MARCH, 2010 WITH FINANCIAL YEAR ENDED 31st MARCH, 2009

**Income:** Our turnover for the financial year ended 31st March, 2010 was at Rs. 7.09 Lacs as against the total of Rs. 6.00 Lacs for the fiscal 2009 with increase of 18.17% and such increase is due to rise in film consultancy & promotion and profit on sale of multimedia projector.

**Expenditure:** The employee for the financial year ended 31st March, 2010 was at Rs4 Lacs in fiscal 2010 as compared to Rs. 0.60 Lacs for the fiscal 2009; Other Operative Expenses have registered increase of 26.06 % at Rs. 5.37 Lacs in fiscal 2010 as compared to Rs. 4.26 Lacs in fiscal 2009. The rise in expenses in fiscal 2010 is basically in line with increase in turnover.

**Profits after Taxes (PAT):** PAT of Company has recorded a decline of 16100 % at Rs. (1.62) Lacs for fiscal 2010 as against Rs. (0.01) Lacs for fiscal 2009.

### Other Information required as per SEBI Regulations

- ***Unusual or infrequent events or transactions***

There are no unusual or infrequent events or transactions that have significantly affected operations of the Company.

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

There are no significant economic changes that materially affected Company's operations or are likely to affect income from continuing operations. Any slowdown in the growth of Indian economy or future volatility in global commodity prices, could affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

- ***Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.***

Apart from the Risks disclosed under the section titled "Risk Factors" no known trends or uncertainties are envisaged or are expected to have a material adverse impact on sales, revenue or income from continuing operations to Company's knowledge.

- ***Future changes in relationship between costs and revenues in case of events such as future increase in labor or material cost or prices that will cause material change.***

According to our knowledge, there are no future relationship between cost and income that would be expected to have a material adverse impact on our operations and revenues. However Increase in the cost of the products in which the Company and its Subsidiary deals, will affect the profitability of the Company. Further, the Company may not able to pass on the increase in prices of the product to the customers in full and this can be offset through cost reduction.

- ***The extent to which material increases in net sales / revenue is due to increase in sales volume, introduction of new products or services or increased sales prices***

The increase in revenues is by and large linked to increases in volume of all the activities carried out by the Company.

- ***Total turnover of each major industry segment in which the Company operated***

The Company operates in single segment i.e. Media & Entertainment Activities.

- ***Status of any publicly announced New Products or Business Segment***

The Company has not announced any new products or business segment.

- ***The extent to which our Company's business is seasonal***

Our revenue and operating results are seasonal in nature due to the impact on income of the timing of advertising spend, acquisition activities of television broadcasters and overall entertainment consumption patterns of consumers. Entertainment consumption patterns and advertising spends have traditionally been highest during vacations, national holidays and the festivals. They are also affected by competing leisure and entertainment activities such as cricket among others. As a result quarterly results can vary from one year to the next and the results of one quarter are not necessarily indicative of results for the next or any future quarter.

- ***Any significant dependence on a single or few suppliers or customers***

We are not under threat of dependence from any single supplier or customer.

- ***Competitive conditions***

The media & entertainment industry is getting more competitive with the increase in number of organized players as well there are more number of production houses coming up and one of the major reasons for that is no entry barriers.

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as stated herein, there are no outstanding or pending litigation, suits, civil prosecution, criminal proceedings or tax liabilities against our Company, our Directors, our Promoters and Promoter Group and there are no defaults, non-payment of statutory dues, over dues to banks and financial institutions, defaults against bank and financial institutions and there are no outstanding debentures, bonds, fixed deposits or preference shares issued by our Company; no default in creation of full security as per the terms of the issue, no proceedings initiated for economic or other offences (including past cases where penalties may or may not have been awarded), and no disciplinary action has been taken by SEBI or any stock exchanges against our Promoters, our Directors or Promoter Group Companies.*

#### I. CASES FILED BY OUR COMPANY

##### *Civil Cases*

There are no civil proceedings filed by our Company.

##### *Criminal Cases*

There are no criminal proceedings filed by our Company.

#### II. CASES FILED AGAINST OUR COMPANY

##### *Civil proceedings*

There are no civil proceedings filed against our Company.

##### *Criminal Proceedings*

There are no criminal proceedings filed against our Company.

#### III. INDIRECT TAX PROCEEDINGS INVOLVING OUR COMPANY

NIL

#### IV. LITIGATIONS INVOLVING OUR PROMOTER

##### (i) Proceedings of Civil nature

(a) By the promoters

NIL

(b) Against the promoters

NIL

##### (ii) Proceedings of a Criminal nature-

(a) By the promoters

NIL

(b) Against the promoters

NIL

**V. LITIGATIONS INVOLVING DIRECTORS OF OUR COMPANY**

**(i) Proceedings of Civil nature**

- (a) By the Directors of our Company

**NIL**

- (b) Against the Directors of our Company

**NIL**

**(ii) Proceedings of a Criminal nature-**

- (a) By the Directors of our Company

**NIL**

- (b) Against the Directors of our Company

**NIL**

**VI. LITIGATIONS INVOLVING OUR GROUP COMPANIES**

**(i) Proceedings of Civil nature**

- (a) By our Group Companies

**NIL**

- (b) Against our Group Companies

**NIL**

**(ii) Proceedings of a Criminal nature-**

- (a) By our Group Companies

**NIL**

- (b) Against our Group Companies

**NIL**

**MATERIAL DEVELOPMENTS**

In the opinion of the Board of Directors of our Company, there have not arisen, since the date of the last audited financial statements disclosed in this Draft Letter of Offer, any circumstances that materially or adversely affect or are likely to affect our profitability or value of assets or our ability to pay material liabilities within the next twelve (12) months.

## **GOVERNMENT & OTHER APPROVALS**

We have received all the necessary consents, licenses, permissions and approvals from the government and various government agencies/ private certification bodies for our present businesses and no further approvals are required for carrying on the present businesses except as stated in this Draft Letter of Offer.

### **APPROVALS FOR THE ISSUE**

1. The Board of Directors has, pursuant to resolution passed at its meeting held on 9<sup>th</sup> June 2014, authorized the Issue.

### **INCORPORATION DETAILS**

1. Certificate of incorporation 25<sup>th</sup> July, 2002 issued by Registrar of Companies, National Capital Territory of Delhi & Haryana, in the name of Channel Nine Entertainment Limited.

2. The Company Identification Number (CIN) is L92132DL2002PLC11630

### **CORPORATE APPROVALS OF OUR COMPANY**

1. Permanent Account Number (AABCC8801H) under the Income Tax Act, 1961.

2. Tax Deduction Account Number (DELM07067B) under the Income Tax Act, 1961.

3. ISIN Number is INE437001017

### **APPROVALS TO BE OBTAINED FOR THE OBJECTS OF THE ISSUE**

No specific approvals required to be obtained for the Objects of the Issue, However We would have to obtain series of approval for production of films as depicted in the objects of the issue and we would be applying for the same in due course of time.

## **OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for the Issue**

Pursuant to the resolutions passed by the Board of Directors of our Company at the meetings held on 9<sup>th</sup> June 2014, it has been decided to make the following offer to the Eligible Equity Shareholders of our Company, with a right to renounce.

### **Prohibition by SEBI**

Neither our Company, nor its Directors or its Promoter or Promoter Group or Promoter Group Entities, or companies with which our Company's Directors are associated with as directors or promoter or person in control of company, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI. Further, none of the directors or person(s) in control of the Promoter have been prohibited from accessing the capital market under any order or direction passed by SEBI. Further the Promoter, their relatives (as per Act), our Company and group companies/group entities are not declared as willful defaulters by the RBI / Government authorities.

### **PROHIBITION BY RBI**

Our Company, our Promoters, Promoting Companies, their relatives, Group Concerns and Associate Companies have not been detained as willful defaulters by the RBI or any other government authorities.

### **Eligibility for the Issue**

Our Company is an existing company registered under the Companies Act whose Equity Shares are listed on the SME platform of BSE Limited. Our Company is eligible for this Issue in terms of Regulation 4(2) of the SEBI (ICDR) Regulations, 2009.

### **Disclaimer Clause of SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT 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 OFFER DOCUMENT. THE LEAD MERCHANT BANKER, FIRST OVERSEAS CAPITAL LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. 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 OFFER DOCUMENT, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER, FIRST OVERSEAS CAPITAL LIMITED, HAS FURNISHED, A DUE DILIGENCE CERTIFICATE DATED 12<sup>TH</sup> SEPTEMBER 2014 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 MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER (PERTAINING TO THE SAID ISSUE);**
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**

- (a) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - (b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH EXCEPT AS OTHERWISE STATED IN THE DRAFT LETTER OF OFFER; AND
  - (c) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, COMPANIES ACT 2013, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
- (3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
  - (4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
  - (5) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
  - (6) WE CONFIRM THAT NECESSARY ARRANGEMENTS WILL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE WILL FURTHER CONFIRM THAT THE AGREEMENT TO BE ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
  - (7) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
  - (8) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
  - (9) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:
    - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND
    - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
  - (10) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
  - (11) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ,ETC.

- (12) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT 1956 (SECTION 34 OR SECTION 36 OF THE COMPANIES ACT, 2013) OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS DRAFT LETTER OF OFFER.

ADDITIONAL CONFIRMATIONS/ CERTIFICATION TO BE GIVEN BY MERCHANT BANKER IN DUE DILIGENCE CERTIFICATE TO BE GIVEN ALONG WITH OFFER DOCUMENT REGARDING SME EXCHANGE

- (1) WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY.
- (2) WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE ISSUER HAVE BEEN MADE IN DRAFT LETTER OF OFFER AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE ISSUER OR RELATING TO THE ISSUE UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE SPECIFIED SECURITIES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN.
- (3) WE CONFIRM THAT THE ABRIDGED DRAFT LETTER OF OFFER CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009.-NOTED
- (4) WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SPECIFIED SECURITIES OF THE ISSUER.
- (5) WE CERTIFY THAT AS PER THE REQUIREMENTS OF FIRST PROVISIO TO SUB-REGULATION (4) OF REGULATION 32 OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CASH FLOW STATEMENT HAS BEEN PREPARED AND DISCLOSED IN THE DRAFT LETTER OF OFFER. - NOT APPLICABLE
- (6) WE CONFIRM THAT UNDERWRITING AND MARKET MAKING ARRANGEMENTS AS PER REQUIREMENTS OF REGULATION 110[106P] AND 111[106V] OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE.
- (7) WE CONFIRM THAT THE ISSUER HAS REDRESSED AT LEAST NINETY FIVE PER CENT OF THE COMPLAINTS RECEIVED FROM THE INVESTORS TILL THE END OF THE QUARTER IMMEDIATELY PRECEDING THE MONTH OF THE FILING OF THE DRAFT LETTER OF OFFER WITH THE STOCK EXCHANGE.

#### Caution

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by our Company or by any other persons at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and our Company shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer.



### **Disclaimer with respect to jurisdiction**

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations there under. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in New Delhi, India only.

### **Selling restrictions**

The distribution of this Draft Letter of Offer and the Issue of Rights Equity Shares to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons into whose possession the Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue of Rights Equity Shares to the Eligible Equity Shareholders of our Company and will dispatch the Draft Letter of Offer / Abridged Letter of Offer and CAFs to the Eligible Equity Shareholders who have provided an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose. Accordingly, the Rights Equity Shares represented thereby may not be offered or sold, directly or indirectly, and the Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction.

Receipt of the Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under those circumstances, the Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of the Draft Letter of Offer should not, in connection with the Issue of the Rights Equity Shares or the Rights Entitlements, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If the Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the Rights Entitlements referred to in the Draft Letter of Offer.

Neither the delivery of this Draft Letter of Offer and / or the Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

### **United States Restrictions**

NEITHER THE RIGHTS ENTITLEMENTS NOR THE RIGHTS SECURITIES THAT MAY BE PURCHASED PURSUANT HERETO HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OF AMERICA OR THE TERRITORIES OR POSSESSIONS THEREOF (THE "UNITED STATES" OR THE "U.S."), EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE RIGHTS SECURITIES REFERRED TO IN THIS DRAFT LETTER OF OFFER ARE BEING OFFERED IN INDIA, BUT NOT IN THE UNITED STATES. THE OFFERING TO WHICH THE DRAFT LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY SECURITIES OR RIGHTS FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID RIGHTS SECURITIES OR RIGHTS ENTITLEMENTS. ACCORDINGLY, THE DRAFT LETTER OF OFFER SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO THE UNITED STATES AT ANY TIME. NEITHER OUR COMPANY NOR ANY PERSON ACTING ON BEHALF OF OUR COMPANY WILL ACCEPT SUBSCRIPTIONS OR RENUNCIATIONS FROM ANY PERSON, OR THE AGENT OF ANY PERSON, WHO APPEARS TO BE, OR WHO THE COMPANY OR ANY PERSON ACTING ON BEHALF OF OUR COMPANY HAS REASON TO BELIEVE IS, A RESIDENT OF THE UNITED STATES AND TO WHOM AN OFFER, IF MADE, WOULD RESULT IN REQUIRING REGISTRATION OF THE DRAFT LETTER OF OFFER WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

IN ADDITION, UNTIL 40 DAYS AFTER THE FIRST DATE UPON WHICH THE RIGHTS ENTITLEMENTS OR THE RIGHTS SECURITIES WERE BONA FIDE OFFERED TO THE PUBLIC, AN OFFER OF SUCH SECURITIES WITHIN THE UNITED STATES BY A DEALER MAY VIOLATE THE REQUIREMENTS OF THE SECURITIES ACT.

## Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be the BSE.

## Disclaimer Clause of the BSE

BSE Limited ("the Exchange") has given vide its letter dated [●], permission to this company to use the Exchange's name in the Draft Letter of Offer as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner;

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this Draft letter of offer; or
- ii. warrant that this company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company;

and it should not for any reason be deemed or construed that the Draft letter of offer has been cleared or approved by the Exchange. 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 the Exchange 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.

## Filing

The Draft Letter of Offer shall not be filed with SEBI, nor will SEBI issue any observation on the offer document in term of Reg. 106(M) (3). However, a copy of the Draft Letter of Offer shall be filed with SEBI at the SEBI Northern Regional Office, 5th Floor, Bank of Baroda Bldg, 16 Sansad Marg, New Delhi- 110001.

A copy of the Letter of the Offer, required to be filed under SEBI (ICDR) Regulations, 2009 would be filed with all the Stock Exchange(s) where the Equity Shares of our Company are listed.

## Listing

The existing Equity Shares are listed on the SME platform of BSE Limited. Our Company has made an application to BSE for permission to deal in and for an official quotation in respect of the securities being offered in terms of the Draft Letter of Offer. Our Company has received in-principle approval from the BSE vide letter dated [●]. Our Company will apply to BSE for listing of the securities to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the Rights Equity Shares is not granted by any of the Stock Exchange mentioned above, within 15 days from the Issue Closing Date, our Company shall forthwith repay, without interest, all monies received from Investors in pursuance of the Draft Letter of Offer. If such money is not paid within 8 days after our Company becomes liable to repay it, then our Company and every Director of our Company who is an officer in default shall, on and from expiry of 8 (eight) days, be jointly and severally liable to repay the money with interest as prescribed under the Section 40 of the Companies Act, 2013.

## Impersonation

Attention of the Investors is specifically drawn to the provisions of subsection (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

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

## Dematerialised Dealing

Our Company has agreements dated 5<sup>th</sup> February, 2013 with CDSL and NSDL respectively and its Equity Shares bear the ISIN No. INE437001017.

#### **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Statutory Auditors, and (b) the Lead Manager, Bankers to the Issue, Registrar to the Issue, the Legal Advisors to the Issue, to act in their respective capacities, have been obtained and such consents shall not be withdrawn.

In accordance with the Companies Act and the SEBI (ICDR) Regulations, M/s Ramanand & Associates, Chartered Accountants, the Peer review Auditors of the Company have agreed to provide their written consent to the inclusion of their report dated 30<sup>th</sup> May, 2014 on restated financial statements and M/s Ranjan Gupta & Co. Chartered Accountants, the Statutory Auditors of the Company have agreed to provide their written consent to the inclusion of their report on statement of funds deployed dated 11<sup>th</sup> September 2014 and statement of tax benefits dated 11<sup>th</sup> June 2014 relating to the possible tax benefits, as applicable, which may be available to the Company and its shareholders, included in this Draft Letter of Offer in the form and context in which they appear therein and such consent and reports will not be withdrawn.

#### **Expert Opinion, if any**

Except for the Auditors' Report and the Statement of Tax Benefits on page 85 and 44 of the Draft Letter of Offer, no expert opinion have been obtained by our Company in relation to this Draft Letter of Offer.

#### **Fees Payable to the Lead Manager to the Issue**

The fee payable to the Lead Manager to the Issue is set out in the engagement letter issued by our Company to the Lead Manager and Memorandum of Understanding entered into by our Company with the Lead Manager, copies of which are available for inspection at the Registered Office of our Company.

#### **Fees Payable to the Registrars to the Issue**

The fee payable to the Registrars to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office of our Company.

#### **Fees payable to the SCSBs**

The total fees payable to the SCSBs will be as per the memorandum of understanding among the Registrar to the Issue, our Company and the SCSBs, for the services rendered in uploading and processing the ASBA, a copy of which will be made available for inspection at our Registered Office.

#### **Brokerage and selling commission**

No brokerage and selling commission will be paid for this Issue.

#### **Expenses of the Issue**

The expenses of the Issue payable by our Company including lead manager expenses, printing and distribution expenses, publicity, and advertising & marketing are estimated at Rs. 16.32 lacs (around 2.10 % of the total Issue size) and will be met out of the proceeds of the Issue. The following table provides a break up of estimated issue expenses:

Particulars	Rs. in lacs	As a percentage of the Total Issue Expenses	As a percentage of the Total Issue Size

Particulars	Rs. in lacs	As a percentage of the Total Issue Expenses	As a percentage of the Total Issue Size
Lead Management Expenses	11.32	69.36%	1.46%
Advertisement and marketing expenses	1.50	9.19%	0.19%
Printing & Stationery (including courier and transportation charges)	3.50	21.45%	0.45%
Total	16.32	100%	2.10%

#### Previous Issues by our Company during the last five years

Our Company came out with its maiden public Issue in the year 2013 and issued 46,68,000 Equity Shares of the face value Rs. 10 each at a price of Rs. 25 per share aggregating to Rs. 1167.00 Lacs. The details of the IPO are given below:-

1	Closing Date	27.02.2013
2	Date of Allotment	06.03.2013
3	Date of Listing	12.03.2013

#### Promise *vis-à-vis* Performance

Our Company came out with its maiden public Issue in the year 2013 and issued 46,68,000 Equity Shares of the face value Rs. 10 each at a price of Rs. 25 per share aggregating to Rs. 1167.00 Lacs. The objects of the issue and the respective utilizations as on 31<sup>st</sup> March, 2013 & 31<sup>st</sup> March, 2014 are as follows:-

Particulars	Proposed Objects	Actual Utilizations as on 31 <sup>st</sup> March, 2013	Actual Utilizations as on 31 <sup>st</sup> March, 2014
To finance the estimated expenditure of production of two (2) films	700.00	-	480.00
Strengthening Distribution operations	350.00	-	311.11
Brand Building	60.00	-	54.19
Issue Expenses	57.00	29.30	29.30
Unutilized portion	NA	1142.20	296.90
Total	1167.00	1171.50	1171.50

#### Stock Market Data

For details of stock market data of our Company please refer to the chapter titled “Stock Market Data for Equity Shares of our Company” on page 143 of the Draft Letter of Offer.

#### Listing on the Stock Exchanges

The Equity Shares of our Company is listed on SME platform of BSE.

#### Issues for consideration other than cash

Our Company has not issued Equity Shares for consideration other than cash or out of revaluation reserves.

### **Outstanding Debentures or Bonds and Preference Shares**

As on date of this Draft Letter of Offer there is no outstanding debentures or bonds or redeemable preference shares issued by our Company.

### **Option to Subscribe**

Other than the present Issue, our Company has not given any person any option to subscribe to the securities of our Company.

### **Changes in Auditors during the last three years**

Financial year	Particular of Changes	Reason
2011-12	M/s. Ranjan Gupta & Co. has been appointed as the statutory auditor of the company in place of M/s. V. Kaushik & Co.	M/s. V. Kaushik & Co. have resigned due to preoccupation

### **Capitalization of Reserves or Profits**

Our Company has not capitalized any reserve during last five (5) years except the fact that We have allotted 81,30,300 Equity Shares as bonus in the ratio of 3:1 to our existing Equity shareholders pursuant to a Board resolution dated 12<sup>th</sup> November, 2012 by capitalization of free reserves.

### **Revaluation of Fixed Assets**

There has been no revaluation of our Company's fixed assets for the last five years.

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the issued amount, our Company shall forthwith refund the entire subscription amount received within 15 days from the date of closure of the Issue and the Registrar to the Issue shall give instructions to SCSBs to unblock the funds in the relevant ASBA Account. If there is a delay beyond eight days after the date from which our Company becomes liable to pay the amount or a failure to provide instructions to SCSBs to unblock the funds in the relevant ASBA Account, our Company shall pay interest for the delayed period as prescribed under SECTION 40 of the Companies Act.

Our Promoter and Promoter Group have confirmed that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. Our Promoters and Promoter Group reserve their right to apply for additional Rights Equity Shares, either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for renunciation if any, made within the Promoter Group to another person forming part of the Promoter Group.

In addition to the subscription to the Rights Equity Shares as stated above, in case of Issue is undersubscribed, our Promoter and Promoter Group reserve their right to subscribe to additional Rights Equity Shares in the Issue up to the minimum subscription of 90% of the Issue subject to the condition that any circumstances the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in clause 42 of the Listing Agreement.

As a result of this subscription and consequent allotment, the Promoter & Promoter Group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above the current shareholding but will certainly not exceed 75% of the post issue paid share capital of our Company. This subscription and acquisition of additional Equity Shares by the Promoter and Promoter Group through this Issue, if any, will not result in change of control of the management of our Company and shall be exempt in terms of provision under Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

As such, other than meeting the requirements indicated in this section on “Objects of the Issue”, there is no other intention / purpose for this Issue, including any intention to delist the Company, even if, as a result of allotment to the Promoter & Promoter Group, in this Issue, the Promoter’s & Promoter Groups’ shareholding in our Company exceeds their current shareholding. The Promoter & Promoter Group shall subscribe to such unsubscribed portion as per the relevant provisions of the law.

Allotment to the Promoter & Promoter Group of any unsubscribed portion, over and above their entitlement shall be done in compliance with clause 42 of the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

Our Promoter and Promoter Group hold 20.58% of the paid up equity share capital of our Company and even if they were to subscribe to the entire rights issue their post Issue shareholding would not exceed 75% of post Issue equity share capital. Moreover our Promoter & Promoter Group have given an undertaking that in case due to the subscription by them to the unsubscribed portion, the post issue public shareholding any circumstances in our Company would not fall below the specified limit of 25 % as stipulated in clause 42 of the Listing Agreement.

The above is subject to the terms mentioned under the section titled “Terms & Procedure of Issue” beginning on page 118 of this Draft Letter of Offer.

#### Issue Schedule

Issue Opening Date:	[•]
Last date for receiving requests for split forms:	[•]
Issue Closing Date:	[•]

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

#### Allotment Advices / Refund Orders

Our Company will issue and dispatch allotment advice / share certificates/ demat credit and/or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the date of closure of the Issue. If such money is not repaid within eight days from the day our Company becomes liable to pay it, our Company shall pay that money with interest as stipulated under SECTION 40 of the Act.

Investors residing in the 68 cities specified by SEBI pursuant to its circular dated February 1, 2008, will get refunds through ECS only except where Investors are otherwise disclosed as applicable / eligible to get refunds through direct credit and RTGS provided the MICR details are recorded with the Depositories or our Company.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, and advice regarding their credit of the Rights Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through certificate of posting intimating them about the mode of credit of refund within 15 working days of closure of the Issue.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and the Company issues letter of allotment, the corresponding share certificates will be kept ready within two months from the date of Allotment thereof or such extended time as may be approved by the Company Law Board under Section 56 (4) (b) of the Companies Act, 2013 or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the share certificates.

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

## **Investor Grievances and Redressal System**

Our Company has adequate arrangements for redressal of Investor complaints as well as a well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for our Company is being handled by our registrar and share transfer agent, Beetal Financial & Computer Services Pvt. Limited. Letters are filed category wise after being attended to. The redressal norm for response time for all correspondence including shareholders complaints is 15 days.

The contact details of our registrar and share transfer agent are as follows:

### **Beetal Financial & Computer Services Pvt. Limited**

Beetal House, 99, Madangir,  
Behind Local Shopping Centre,  
28 Near Dada Harsukh Dass Mandir,  
New Delhi-110062  
Tel Nos.: 011-29961281/82  
Fax No.: 011-29961284  
Email: [beetal@rediffmail.com](mailto:beetal@rediffmail.com)  
Website: [www.beetalfinancial.com](http://www.beetalfinancial.com)  
Contact Person : Mr. Punit Mittal  
SEBI Registration: INR000000262

### **Status of Complaints**

Total number of complaints received during the last three Financial Years: Nil

Total number of complaints received during Financial Year 2013-14: Nil

As of date, there are NIL investor grievances pending against our Company.

Status of complaints: NIL

Redressal of investors' grievance is given top priority by the Company. The Committee oversees redressal of complaints of shareholders/investors and other important investor related matters. The Company has adequate arrangements for redressal of investor complaints as follows:

Share transfer/ dematerialization/ rematerialization are handled by professionally managed Registrar and Transfer Agent, appointed by the Company in terms of SEBI's direction for appointment of Common Agency for physical as well as demat shares. The Registrars are constantly monitored and supported by qualified and experienced personnel of the Company.

We have appointed Mr Bhagat Singh as Company Secretary and Compliance Officer and she may be contacted in case of any pre-issue or post-issue problems. She can be contacted at the following address:

Mr Bhagat Singh,  
Company Secretary & Compliance Officer,  
3/12, Ground Floor, Asaf Ali Road, New Delhi-110002  
Tel: 91-11-32315575 Fax: 91-11-32315575  
E-Mail: [channelnineentertainment@yahoo.com](mailto:channelnineentertainment@yahoo.com)

## SECTION VII

### ISSUE RELATED INFORMATION

#### TERMS AND PROCEDURE OF THE ISSUE

The Rights Equity Shares, now being issued, are subject to the terms and conditions contained in the Draft Letter of Offer, the Abridged Letter of Offer, the CAF, the ASBA form, the Memorandum and Articles of Association of our Company, the provisions of the Companies Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

#### Authority for the Issue

The Rights Issue has been approved by our Board of Directors in their meetings held on 9<sup>th</sup> June 2014 with the right to renounce

#### Ranking of Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association of our Company. The dividend payable on Equity Shares allotted in this Issue shall rank for dividend in proportion to the amount paid up. The Equity Shares allotted in this Issue, shall be *pari passu* with the existing Equity Shares in all respects including dividend. For more details see section titled “Articles of Association of our Company” beginning on page 144 of this Draft Letter of Offer.

#### Mode of Payment of Dividend

We shall pay dividend to our Equity Shareholders as per the provisions of the Companies Act.

#### Basis for the Issue

The Rights Equity Shares are being offered for subscription for cash to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in electronic form and on the Register of Members of our Company in respect of the Equity Shares held in the physical form at the close of business hours on the Record Date i.e. [●], fixed in consultation with the Designated Stock Exchange.

#### Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in electronic form or appears in the Register of Members as an Equity Shareholder on the Record Date, you are entitled to the number of Rights Equity Shares shown in Block I of Part A of the enclosed CAF.

#### Principal Terms of the Rights Equity Shares

##### Face value

Each Rights Equity Share shall have a face value of Rs. 10/-.

##### Issue Price

Each Rights Equity Share is being offered at a price of Rs. 10/-.

##### Payment terms

Full amount of Rs. 10/- per share is payable on application.



### Entitlement Ratio

The Rights Equity Shares are being offered on a rights basis to the Eligible Equity Shareholders of our Company in the ratio of 1(one) Rights Equity Share for every 2 (Two) Equity Share held on the Record Date.

### Fractional Entitlements

The Equity Shares are being offered on a rights basis to the existing Equity Shareholders in the ratio of one (1) Equity Share for every Two (2) Equity Shares held as on the Record Date. For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Equity Shareholders is less than Two (2) Equity Shares or not in the multiple of Two (2), the fractional entitlement of such Equity Shareholders shall be ignored in the computation of the Rights Entitlement. However, Equity Shareholders whose fractional entitlements are being ignored as above would be given preferential consideration for the Allotment of one additional Equity Share each if they apply for additional Equity Shares over and above their Rights Entitlement, if any.

Those Equity Shareholders holding less than Two (2) Equity Shares and therefore entitled to 'Zero' Equity Shares under this Issue shall be despatched a CAF with 'Zero' entitlement. Such Equity Shareholders are entitled to apply for additional Equity Shares and would be given preference in the allotment of one additional Equity Share if, such Equity Shareholders have applied for the additional Equity Shares. However, they cannot renounce the same in favour of third parties. CAFs with zero entitlement will be non-negotiable/non-renounceable.

### Rights of our Equity Shareholders

- 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 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 to free transferability of shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividends, forfeiture, lien, transfer and transmission, and / or consolidating / splitting, please refer to the section titled "Main Provisions of the Articles of Association of our Company" beginning on page 144 of this Draft Letter of Offer.

### **General terms of the Issue**

#### Market Lot

The Equity Shares of our Company are tradable only in dematerialized form. The market lot for Equity Shares in dematerialised mode is 500 (Five Hundred) Equity Share. In case of holding of Equity Shares in physical form, the Company would issue to the allottees 1 (one) certificate for the Rights Equity Shares allotted to each folio ("Consolidated Certificate"). In respect of consolidated certificates, the Company will upon receipt of a request from the respective holder of Equity Shares, split such consolidated certificates into smaller denominations within six weeks time from the receipt of the request in respect thereof.

#### Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Articles.

#### Nomination

In terms of Section 72 of the Companies Act, 2013, the nomination facility is available in case of the Rights Equity Shares. The Investors can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

In case of Eligible Equity Shareholders who are individuals, a sole Eligible Equity Shareholder or the first named Eligible Equity Shareholder, along with other joint Eligible Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Rights Equity Shares. A person, being a nominee, becoming entitled to the Rights Equity Shares by reason of the death of the original Eligible Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares.

Where the nominee is a minor, the Eligible Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Rights Equity Share(s), in the event of death of the said Eligible Equity Shareholder(s), during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed.

When the Equity Share(s) is held by two or more Eligible Equity Shareholders, the nominee shall become entitled to receive the amount only on the demise of all the Eligible Equity Shareholders.

Fresh nominations can be made only in the prescribed form available on request at the Registered Office of our Company or such other person at such addresses as may be notified by our Company. The Investors can make the nomination by filling in the relevant portion of the CAF. Only one nomination would be applicable for one folio. Hence, in case the Eligible Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Rights Equity Shares that may be allotted in this Issue under the same folio.

**In case the allotment of Rights Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Rights Equity Shares to be allotted in this Issue. Nominations registered with the respective Depository Participant ("DP") of the Investor would prevail. Any Investor desirous of changing the existing nomination is requested to inform its respective DP.**

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

Applications received from NRIs and non-residents for Allotment of Equity Shares shall be inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 2000 (FEMA) in the matter of receipt and refund of application moneys, Allotment of Equity Shares, issue of letter of allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on a rights basis by an Indian company in terms of FEMA and regulation 6 of notification No. FEMA 20/2000-RB dated May 3, 2000. However, the general permission referred to in the sentence immediately above is subject to the restrictions described below under "No Offer in the United States". The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment of Equity Shares, payment of dividend etc. to the non-resident Shareholders. The equity shares purchased on a rights basis by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original equity shares against which equity shares are issued on a right basis.

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

The Draft Letter of Offer and CAF shall only be dispatched to non-resident Equity Shareholders with registered addresses in India. The Draft Letter of Offer and CAF should not be forwarded to or transmitted in or into the United States of America or the territories or possessions thereof at any time or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the United States Securities Act of 1933, as amended), except in a transaction exempt from the registration requirements of the Securities Act.

## **No Offer in the United States**

The offer of Equity Shares pursuant to the Issue have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws and will not be offered, sold, resold or otherwise transferred 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 in a transaction exempt from the registration requirements of the Securities Act. The rights referred in Draft Letter of Offer are being offered in India but not in the United States of America. The Issue to which this Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or rights for sale in the United States of America, or the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said Equity Shares or rights. Accordingly, the Draft Letter of Offer should not be forwarded to or transmitted in or into the United States of America at any time except in a transaction exempt from the registration requirements of the Securities Act. Neither the Company nor any person acting on behalf of the Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who the Company or any person acting on behalf of the Company has reason to believe is, a resident of the United States of America and to whom an offer, if made, would result in requiring registration of the Draft Letter of Offer with the United States Securities and Exchange Commission. The Company is informed that there is no objection to a United States shareholder selling its rights in India. Rights will not be transferred or sold to any U.S. Person (as defined in Regulation S under the Securities Act).

## **Notices**

All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English national daily with wide circulation and one Hindi national daily with wide circulation, and / or, will be sent by ordinary post / registered post / speed post to the registered holders of the Equity Shares from time to time.

## **Listing and trading of the Rights Equity Shares proposed to be issued**

Our Company’s existing Equity Shares listed on SME Platform of BSE. The Rights Equity Shares proposed to be issued shall be listed on the SME Platform of BSE under the existing ISIN for fully paid up Equity Shares of our Company.

The Rights Equity Shares allotted pursuant to this Issue will be listed as soon as practicable but in no case later than 7 working days from the date of allotment. The Company has made an application for “in-principle” approval for listing of the Rights Equity Shares and has received such approval from the BSE through letter No. DCS/PREF/PS-RT/268/14-15, dated 28<sup>th</sup> July, 2015.

The distribution of the Draft Letter of Offer and the Issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions.

Our Company is making this Issue of Rights Equity Shares on a rights basis to the Eligible Equity Shareholders of our Company and will dispatch the Draft Letter of Offer / Abridged Letter of Offer and the CAF to the Eligible Equity Shareholders who have provided an Indian address.

## **Additional subscription by our Promoters and Promoter Group**

Our Promoter and Promoter Group have confirmed that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. Our Promoters and Promoter Group reserve their right to apply for additional Rights Equity Shares, either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for renunciation if any, made within the Promoter Group to another person forming part of the Promoter Group.

In addition to the subscription to the Rights Equity Shares as stated above, in case of Issue is undersubscribed, our Promoter and Promoter Group reserve their right to subscribe to additional Rights Equity Shares in the Issue up to the minimum subscription of 90% of the Issue subject to the condition that any circumstances the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in clause 42 of the Listing Agreement.

As a result of this subscription and consequent allotment, the Promoter & Promoter Group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above the current shareholding but will certainly not exceed 75% of the post issue paid share capital of our Company. This subscription and acquisition of additional Equity Shares by the Promoter and Promoter Group through this Issue, if any, will not result in change of control of the management of our Company and shall be exempt in terms of provision under Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

As such, other than meeting the requirements indicated in this section on “Objects of the Issue”, there is no other intention / purpose for this Issue, including any intention to delist the Company, even if, as a result of allotment to the Promoter & Promoter Group, in this Issue, the Promoter’s & Promoter Groups’ shareholding in our Company exceeds their current shareholding. The Promoter & Promoter Group shall subscribe to such unsubscribed portion as per the relevant provisions of the law.

Allotment to the Promoter & Promoter Group of any unsubscribed portion, over and above their entitlement shall be done in compliance with clause 42 of the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

Our Promoter and Promoter Group hold 20.58% of the paid up equity share capital of our Company and even if they were to subscribe to the entire rights issue their post Issue shareholding would not exceed 75% of post Issue equity share capital. Moreover our Promoter & Promoter Group have given an undertaking that in case due to the subscription by them to the unsubscribed portion, the post issue public shareholding in any circumstances in our Company would not fall below the specified limit of 25 % as stipulated in clause 42 of the Listing Agreement.

#### **Procedure for Application**

The CAF would be printed in blue ink for all shareholders. Additional separate advice for Non-resident shareholders will be provided. In case the original CAF is not received by the applicant or is misplaced by the applicant, the applicant may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. Non-resident shareholders can obtain a copy of the CAF from the Registrars to the Issue, by furnishing the registered folio number, DP ID number, Client ID number and their full name and address. Equity Shares offered to you either in full or in part in favour of any other person or persons. Such renouncees can only be Indian Nationals/Limited Companies incorporated under and governed by the Act, statutory Corporations /institutions, trusts (unless registered under the Indian Trust Act), minors (through their legal guardians), societies (unless registered under the Societies Registration Act, 1860 or any other applicable laws) provided that such trust/society is authorized under its constitution/bye laws to hold equity shares in a company and cannot be a partnership firm, more than three persons including joint-holders, foreign nationals (unless approved by RBI or other relevant authorities) or to any person situated or having jurisdiction where the offering in terms of the Draft Letter of Offer could be illegal or require compliance with securities laws.

#### **Option to Subscribe**

Applicants to the Equity Shares, other than an ASBA Investor, issued through this Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. ASBA Investors shall be allotted the securities only in dematerialized form. Our Company signed a tripartite agreement with National Securities Depository Limited (NSDL) on 5<sup>th</sup> February 2013 and with Central Depository Services (India) Limited (CDSL) on 5<sup>th</sup> February, 2013, which enables the Investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates.

#### **Utilisation of Issue Proceeds**

The Board declares that:

- (a) The funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 40 of the Companies Act, 2013 .
- (b) Details of all money utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such money has been utilised.

- (c) Details of all such unutilised money out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised money has been invested.

The funds received against this Issue will be kept in a separate bank account and our Company will not have any access to such funds until the finalization of basis of allotment.

#### **Undertakings by the Company**

- (a) The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
- (b) All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchange where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.
- (c) The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post or any other mode disclosed in the Draft Letter of Offer shall be made available to the Registrar to the Issue.
- (d) The certificate of the securities/ refund orders, letters of allotment/allotment advice/ consolidated certificate to the shareholders including non-resident Indians shall be dispatched within the specified time.
- (e) No further issue of securities affecting equity capital of our Company shall be made till the securities issued/offered through the Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.
- (f) The Company accepts full responsibility for the accuracy of information given in this Draft Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
- (g) All information shall be made available by the Lead Manager and the Company to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
- (h) In accordance with clause 46 of the Listing Agreement, a statement shall be furnished to the Stock Exchanges on a half yearly basis indicating material deviations, if any, in the utilization of the proceeds of the Issue.
- (i) In accordance with clause 52 of the Listing Agreement, the Company shall disclose to the Audit Committee, the uses/application of the proceeds of the Issue by major category, on a half yearly basis as a part of its half yearly declaration of financial results. Further, on an annual basis and until the full utilization of the proceeds of the Issue, the Company shall prepare a statement, which shall be certified by the statutory auditors of the Company, of the proceeds of the Issue utilized for purposes other than those specified in this Draft Letter of Offer and place such statement before the Audit Committee.
- (j) Adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalizing the basis of allotment.
- (k) In the event that the public shareholding falls below the minimum prescribed in the Listing Agreements, the Company will take such steps as may be necessary to restore the minimum public shareholding in accordance with the SEBI regulations and undertakes to comply with such directions as may be issued by the Stock Exchanges.
- (l) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Equity Shareholders within 15 days of the Issue Closing Date specifying details of the refund bank, along with the amount and the expected date of the electronic credit of refund.

## How to Apply?

### Resident Equity Shareholders

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

### Non-resident Equity Shareholders

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

The CAF consists of four parts:

Part A: Form for accepting the Rights Equity Shares and for applying for additional Rights Equity Shares;

Part B: Form for renunciation;

Part C: Form for application for renunciation;

Part D: Form for request for split Application forms.

### Acceptance of the Issue

You may accept the Issue and apply for the Rights Equity Shares offered, either in full or in part, by filling Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard. Investors at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn at par on a local bank at New Delhi / demand draft payable at New Delhi to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected. An ASBA Investor may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.

### Options available to the Eligible Equity Shareholders

The CAF will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to. If the Eligible Equity Shareholder applies for an investment in Rights Equity Shares, then he can:

- Apply for his Rights Entitlement of Rights Equity Shares in part;
- Apply for his Rights Entitlement of Rights Equity Shares in part and renounce the other part of the Rights Equity Shares;
- Apply for his Rights Entitlement of Rights Equity Shares in full;
- Apply for his Rights Entitlement in full and apply for additional Rights Equity Shares;
- Renounce his Rights Entitlement in full.

### Renunciation

This Issue includes a right exercisable by you to renounce the Rights Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that our Company shall not allot and / or register the Rights Equity Shares in favour of more than 3 persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares).

Any renunciation from Resident Indian Shareholder(s) to Non-resident Indian(s) or from Non-resident Indian Shareholder(s) to Resident Indian(s) or from Non-resident Indian shareholder(s) to other Non-resident Indian(s) is

subject to the Renouncer(s) / Renouncee(s) obtaining the necessary approvals including the permission of the RBI under the FEMA and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003. Accordingly, the Eligible Equity Shareholders of the Company who do not wish to subscribe to the Rights Equity Shares being offered but wish to renounce the same in favour of renouncee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

Part ‘A’ of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Bankers to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part ‘B’ of the CAF) duly filled in shall be conclusive evidence for our Company of the person(s) applying for Rights Equity Shares of the CAF to receive allotment of such Rights Equity Shares. The Renouncees applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares. Part ‘A’ of the CAF must not be used by the Renouncee(s) as this will render the application invalid. Renouncee(s) will have no further right to renounce any Rights Equity Shares in favour of any other person.

The right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the request for Allotment to Renouncee(s) without assigning any reason thereof.

#### Procedure of renunciation

##### *To renounce all the Rights Equity Shares offered to an Eligible Equity Shareholder in favour of one Renouncee*

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

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

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renouncees, the CAF must be first split into the requisite number of forms. Please indicate your requirement of split forms in the space provided for this purpose in Part ‘D’ of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms, [●]. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in the paragraph above shall have to be followed.

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

#### *Renouncee(s)*

The person(s) in whose favour the Rights Equity Shares are renounced should fill in and sign Part ‘C’ of the CAF and submit the entire CAF to the Bankers to the Issue on or before the Issue Closing Date along with the application money in full. The Renouncee cannot further renounce.

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

If you wish to apply for Rights Equity Shares jointly with any other person(s), not more than three, who is / are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that our Board of Directors shall be entitled in its absolute discretion to reject the request for allotment from the Renouncee(s) without assigning any reason thereof.

## Instructions for options

*Please note that:*

- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders to whom the Draft Letter of Offer has been addressed. If used, this will render the application invalid.
- A request for split forms should be made for a minimum of One (1), Rights Equity Shares or, in multiples thereof and one split form for the balance Rights Equity Shares, if any.
- A request by the Investor for the split Application form should reach our Company on or before [●].
- Only the Eligible Equity Shareholders to whom the Draft Letter of Offer has been addressed shall be entitled to renounce and to apply for split application forms. Forms once split cannot be split further.
- Split form(s) will be sent to the Investor(s) by post at the Investors' risk.

### *Additional Rights Equity Shares*

You are eligible to apply for additional Rights Equity Shares over and above the number of Rights Equity Shares you are entitled to, provided that you have applied for all the Rights Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation, if necessary, with the Designated Stock Exchange and in the manner prescribed in the paragraph titled "Basis of Allotment" on page 128 of this Draft Letter of Offer.

If you desire to apply for additional Rights Equity Shares, please indicate your requirement in the place provided for additional Rights Equity Shares in Part A of the CAF. The Renouncee applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares.

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

You may exercise any of the following options with regard to the Rights Equity Shares offered, using the enclosed CAF:

Sr. No.	Options Available	Action Required
1.	Accept the whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A ( <i>All joint holders must sign</i> ).
2.	Accept your Rights Entitlement in full and apply for additional Rights Equity Shares.	Fill in and sign Part A including Block III relating to the acceptance of Rights Entitlement and Block IV relating to additional Rights Equity Shares ( <i>All joint holders must sign</i> ).
3.	Renounce your Rights Entitlement in full to one person ( <i>Joint Renouncees are considered as one</i> ).	Fill in and sign Part B ( <i>all joint holders must sign</i> ) indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C ( <i>All joint Renouncees must sign</i> ).
4.	Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s).  OR  <b>Renounce your Rights Entitlement to all the Rights Equity Shares offered to you to more than one Renouncee.</b>	Fill in and sign Part D ( <i>all joint holders must sign</i> ) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Application Forms. Splitting will be permitted only once.  <b>On receipt of the Split Application Form</b>



Sr. No.	Options Available	Action Required
		<p><b>take action as indicated below.</b></p> <p>For the Rights Equity Shares you wish to accept, if any, fill in and sign Part A.</p> <p>For the Rights Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncees should fill in and sign Part C for the Equity Shares accepted by them.</p>
5.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

Investors must provide information in the CAF as to their savings bank / current account number and the name of the bank with whom such account is held, to enable the Registrar to print the said details in the refund orders after the names of the payee(s). Failure to comply with this may lead to rejection of the application. Bank account details furnished by the Depositories will be printed on the refund warrant in case of Equity Shares held in electronic form.

**Investors must write their CAF Number at the back of the cheque/demand draft.**

#### Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number / DP and Client ID number and his / her full name and address to the Registrar to the Issue. Please note that the request for a duplicate CAF should reach the Registrar to the Issue within 7 (seven) days from the Issue Opening Date. Please note that those who are making the application in the duplicate CAF should not utilize the original CAF for any purpose including renunciation, even if it is received / found subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both the CAFs.

#### Application on Plain Paper

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with a demand draft, net of bank and postal charges payable at New Delhi which should be drawn in favor of 'CNEL- Rights Issue' in case of resident shareholders and non-resident shareholders applying on non-repatriable basis or 'CNEL - Rights Issue- NR' in case of non-resident shareholders applying on repatriable basis and the Eligible Equity Shareholders should send the same by registered post directly to the Registrar to the Issue.

The envelope should be superscribed 'CNEL - Rights Issue' and should be postmarked in India. The application on plain paper, duly signed by the Investors including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of the Issuer, being Channel Nine Entertainment Limited;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number / DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Rights Equity Shares entitled;
- Number of Rights Equity Shares applied for;
- Number of additional Rights Equity Shares applied for, if any;

- Total number of Rights Equity Shares applied for;
- Total amount paid at the rate of Rs. 10/- per Rights Equity Share;
- Separate cheques / DDs are to be attached for amounts to be paid for Rights Equity Shares;
- Particulars of cheque / demand draft / Savings / Current Account Number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order;
- PAN of the Investor, and for each Investor in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to the Issue;
- Signature of the Rights Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company.

Please note that those who are making an application otherwise than on an original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both the applications. Separate cheque / DDs are to be attached for amounts to be paid for Rights Equity Shares. Our Company shall refund such application amount to the Investor without any interest thereon.

**For Applicants residing at places where the Bank collection centres have been opened, application forms duly completed together with cash/ cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF alongwith application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue.**

**For Applicants residing at places other than the cities where the Bank collection centres have been opened, application forms duly completed together with cash/ cheque/demand draft for the application money net of bank charges for demand draft and postal charges must reach Registrar to the Issue before the close of the subscription list.**

**For ASBA Investors may fill Part A of the respective CAFs, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.**

**The Applicants are requested to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected with the Company, the Lead Manager and the Registrar not having any liabilities to such Applicants.**

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

The last date for submission of the duly filled in CAF is [●]. The Issue will be kept open for 15 days and our Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Bankers to the Issue / Registrar to the Issue, as the case on or before the closure of banking hours on the aforesaid last date or such date as may be extended by our Board / committee of Directors, the offer contained in the Draft Letter of Offer shall be deemed to have been declined and our Board / committee of Directors shall be at liberty to dispose off the Rights Equity Shares hereby offered, as provided in the paragraph titled “Basis of Allotment” on page 128 of this Draft Letter of Offer.

**INVESTORS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.**

#### **Basis of Allotment**

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

- (a) Full allotment to those Rights Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has / have applied for Rights Equity Shares renounced in their favour, in full or in part.

- (b) Investors whose fractional entitlements are being ignored would be given preference in allotment of one additional Equity Share each if they apply for additional Equity Shares. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after allotment under (a) above. If number of Equity Shares required for allotment under this head are more than the number of Equity Shares available after allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange and will not be a preferential allotment.
- (c) Allotment to the Eligible Equity Shareholders who having applied for all the Rights Equity Shares offered to them as part of the Issue and have also applied for additional Rights Equity Shares. The allotment of such additional Rights Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Rights Equity Shares will be at the sole discretion of the Board / committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
- (d) Allotment to Renouncees who having applied for all the Rights Equity Shares renounced in their favour, have applied for additional Rights Equity Shares provided there is surplus available after making full allotment under (a), (b) and (c) above. The allotment of such Rights Equity Shares will be on a proportionate basis at the sole discretion of the Board / committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
- (e) Allotment to any other person as the Board may in its absolute discretion deem fit provided there is surplus available after making full allotment under (a), (b), (c) and (d) above.

After taking into account allotment to be made under (a) to (d) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b) of the Takeover Regulations.

After considering the above Allotment, any additional Rights Equity Shares shall be disposed off by the Board, in such manner as they think most beneficial to our Company and the decision of the Board in this regard shall be final and binding. In the event of oversubscription, Allotment will be made within the overall size of the Issue.

### **Underwriting**

In accordance with Regulation 106(P) of the SEBI (ICDR) Regulations, this Issue has been hundred percent underwritten and that the Lead Manager to the Issue has underwritten more than 15% of the Total Issue Size. For further details pertaining to said underwriting please refer to "General Information - Underwriting" on page 26 of this Draft Letter of Offer.

### **Allotment / Refund**

The Company will issue and dispatch letters of allotment/ share certificates/ demat credit and/or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the date of closure of the Issue. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 40 of the Companies Act, 2013.

In case of ASBA Investors, the Registrar to the Issue shall instruct the SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Application Money for withdrawn, rejected or unsuccessful ASBAs within 15 days of the closure of the Issue. In case of a failure in providing instructions to SCSBs to unblock the funds in the relevant ASBA Account, the Company will pay interest on the monies in terms of Section 40 of the Companies Act, 2013.

Applicants residing at 68 centers where clearing houses are managed by the Reserve Bank of India (RBI), will get refunds through ECS only (Electronic Clearing Service) except where Applicants are otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS.

In case of those Applicants who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, and advise regarding their credit of the Equity Shares shall be given

separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form and the Company issues Letter of Allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Companies Law Board under Section 56 of the Companies Act, 2013 or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates.

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

## **Payment of Refund**

### Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. *ECS (Electronic Clearing Service)* - Payment of refund would be done through ECS for Investors having an account at any centre where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for Investors having a bank account at the centers where ECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through ECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. *NEFT (National Electronic Fund Transfer)* - Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method. Our Company in consultation with the Lead Manager may decide to use NEFT as a mode of making refunds. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed herein.
3. *Direct Credit* - Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by the Company.
4. *RTGS (Real Time Gross Settlement)* - Investors having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds Rs. 1 lakh, have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the Investors' bank receiving the credit would be borne by the Investor.
5. For all other Investors, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through speed post / registered post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole / first Investor and payable at par.

### Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. Our Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

### Allotment advice / Share Certificates / Demat Credit

Allotment advice / share certificates / demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 (fifteen) days, from the Issue Closing Date. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ demat credit to non-resident allottees will be subject to the approval of RBI.

### Option to receive the Rights Equity Shares in Dematerialized Form

Investors shall be allotted the Rights Equity Shares in the dematerialized form at the option of the Investor. Our Company has signed a tripartite agreement dated 5<sup>th</sup> February 2013 with NSDL and the Registrar to the Issue and a tripartite agreement dated 5<sup>th</sup> February 2013 with CDSL and the Registrar to the Company, which enables our Equity Shareholders to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In this Issue, the allottees who have opted for the Rights Equity Shares in dematerialized form will receive the Rights Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. The CAF shall contain a space for indicating the number of Rights Equity Shares applied for in demat and physical form or both. Investors will have to give the relevant particulars for this purpose appropriately in the CAF. Applications, which do not accurately contain this information, will be given the Rights Equity Shares in physical form. No separate applications for Rights Equity Shares in physical and / or dematerialized form should be made. If such applications are made, the application for physical Rights Equity Shares will be liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, may be allotted in physical shares.

The Rights Equity Shares will be listed on the SME platform of BSE.

The procedure for availing of the facility for allotment of the Rights Equity Shares in this Issue in the electronic form is as under:

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

- Equity Share/ allotted to an Applicant in the electronic account form will be credited directly to the Applicant's respective beneficiary account(s) with depository participant.
- Applicants should ensure that the names of the Applicants and the order in which they appear in the CAF should be the same as registered with the Applicant's depository participant.
- Non-transferable allotment advice/refund orders will be directly sent to the Applicant by the Registrar to this Issue.
- If incomplete / incorrect beneficiary account details are given in the CAF the Investor will get the Rights Equity Shares in physical form.
- The Rights Equity Shares pursuant to this Issue allotted to Investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Securities to the Investor's depository account.
- Renouncees will also have to provide the necessary details about their beneficiary account for allotment of Rights Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.
- It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.
- Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to the Company as on the date of the book closure.

#### General instructions for Investors

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Applications should be made on the printed CAF, provided by our Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of the Draft Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) The CAF together with the cheque / demand draft should be sent to the Bankers to the Issue / Collecting Banks or to the Registrar to the Issue, as the case may be, and not to our Company or the Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft payable at New Delhi of an amount net of bank and postal charges and send their application forms to the Registrar to the Issue by Registered Post. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for any value made by the Investor, or in the case of joint names, each of the joint Investors, should mention his / her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**
- (e) Investors are advised that it is mandatory to provide information as to their savings / current account number and the name of the bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected. For Eligible Equity Shareholders holding Equity Shares in dematerialised form, such bank details will be drawn from the demographic details of the Eligible Equity Shareholder in the records of the Depository.

- (f) All payments should be made by cheque / DD only. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (g) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company or the Depositories.
- (h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the memorandum and articles of association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference to the serial number of the CAF and folio numbers / DP ID and Client ID Number. In case the above referred documents are already registered with our Company, the same need not be furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company/. Further, in case of joint Investors who are Renouncees, the number of Investors should not exceed three. In case of joint applicants, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Rights Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of equity shares, subsequent issue and allotment of equity shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (k) All communications in connection with applications for the Rights Equity Shares, including any change in addresses of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of the Eligible Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Company Big Shares Services Private Limited, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialized form.
- (l) Split forms cannot be re-split.
- (m) Only the person or persons to whom the Rights Equity Shares have been offered and not Renouncee(s) shall be entitled to obtain split forms.
- (n) Investors must write their CAF number at the back of the cheque / demand draft.
- (o) Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub-member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (p) A separate cheque / demand draft must accompany each CAF. Outstation cheques / demand drafts or postdated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- (q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank / Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

### Grounds for Technical Rejections

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

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- Age of first Investor not given while completing Part C of the CAFs;
- PAN not mentioned for application of any value;
- In case of application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder on the CAF does not match with the records available with our Company and/or the Depositories and in case of application by Renouncees, if the signature of the Renouncees do not match with the records available with their Depositories;
- If the Investor desires to have Rights Equity Shares in electronic form, but the CAF does not have the Investor's depository account details;
- Application forms are not submitted by the Investors within the time prescribed as per the application form and the Draft Letter of Offer;
- Applications not duly signed by the sole / joint Investors;
- Applications by OCBs unless accompanied by specific approval from RBI permitting the OCBs to participate in the Issue.
- Applications accompanied by stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications that do not include the certification set out in the CAFs to the effect that the subscriber is not a US person, and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Securities in compliance with all applicable laws and regulations;
- Applications which have evidence of being dispatched from the US;
- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where a registered address in India has not been provided;
- Applications where the Company believes that the CAF is incomplete or acceptance of such CAFs may infringe applicable legal or regulatory requirements;
- Multiple applications
- Applications by renouncees who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Duplicate Applications, including cases where an Investor submits CAFs along with a plain paper application.

### Mode of payment for Resident Eligible Equity Shareholders / Investors

Applicants who are resident in centers with the bank collection centres shall draw cheques / drafts accompanying the CAF in favour of the Bankers to the Issue, crossed account payee only and marked "CNEL-Rights Issue".

Applicants residing at places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft/Pay Order payable at New Delhi in favour of the Bankers to the Issue, crossed account payee only and marked "CNEL-Rights Issue" directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

### Mode of payment for Non-Resident Eligible Equity Shareholders / Investors

As regards the application by non-resident Eligible Equity Shareholders / Investors, the following conditions shall apply:



#### Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft / cheque payable at New Delhi or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at New Delhi or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / demand draft on a Non-Resident External Account (NRE) or FCNR Account maintained in New Delhi; or
- By Rupee draft purchased by debit to NRE / FCNR Account maintained elsewhere in India and payable in New Delhi; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.
- All cheques / demand drafts submitted by non-residents applying on repatriable basis should be drawn in favour of 'CNEL-Rights Issue-NR' payable at New Delhi and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Investors may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of non-residents who remit their application money from funds held in FCNR / NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the Investor's Bankers.

#### Application without repatriation benefits

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

All cheques / demand drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of 'CNEL-Rights Issue' payable at New Delhi and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat accounts shall be opened for Eligible Equity Shareholders who have had a change in status from resident Indian to NRI.

#### **Note:**

- In cases where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.

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

Our Company is not responsible for any postal delay / loss in transit on this account and applications received through mail after closure of the Issue are liable to be rejected. Applications through mail should not be sent in any other manner except as mentioned above. The CAF along with the application money must not be sent to our Company or the Lead Manager or the Registrar except stated otherwise. The Investors are requested to strictly adhere to these instructions.

Renouncees who are NRIs / FIIs / Non Residents should submit their respective applications either by hand delivery or by registered post with acknowledgement due to the Registrar to the Issue only at the below mentioned address along with the cheque / demand draft payable at New Delhi so that the same are received on or before the closure of the Issue.

#### Investment by FIIs

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Rights Equity Shares under this Issue to a single FII should not exceed 10% of the post-Issue paid up capital of our Company. In respect of an FII investing in the Rights Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid-up capital of our Company or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with foreign investment limits applicable to the Company, the total FII investment cannot exceed 24% of the total paid-up capital of the Company. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. As of date, the FII investment in the Company is limited to 24% of the total paid-up capital of the Company.

#### Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn. Hence, payment through Stockinvest would not be accepted in this Issue.

#### Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

#### Disposal of application and application money

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

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

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on the Rights Equity Shares allotted, will be refunded to the Investor within 15 days from the close of the Issue.

For further instructions, please read the CAF carefully.

### **Procedure for Application through the ASBA (“ASBA Process”)**

This section is for the information of Equity Shareholders proposing to subscribe to the Issue through the ASBA Process. The Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Draft Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity applied for by such Equity Shareholders do not exceed the applicable limits under laws or regulations. Equity Shareholders applying under the ASBA Process are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF will be blocked by the SCSB.

The list of banks which have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

### **Equity Shareholders who are eligible to apply under the ASBA Process**

The option of applying for Equity Shares in the Issue through the ASBA Process is only available to Equity Shareholders of the Company on the start of the Book Closure Period and who:

- Is holding Equity Shares in dematerialised form and has applied towards his/her rights entitlements or additional Securities in the Issue in dematerialised form;
- Has not renounced his/her entitlements in full or in part;
- Is not a Renouncee;
- Is applying through a bank account maintained with one of the SCSBs.

All QIBs and other Investors whose application value exceeds Rs. 2 lacs complying with the above conditions has to participate in this Issue through the ASBA process only

### **CAF**

The Registrar will despatch the CAF to all Equity Shareholders as per their entitlement on the start of the Book Closure Period for the Issue. Those Equity Shareholders who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details. Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSB who provides such facility. The Equity Shareholder shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

### **Acceptance of the Issue**

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.

### **Mode of payment**

The Equity Shareholder applying under the ASBA Process agrees to block the Application Money for the Equity Shares applied for (including for additional Equity Shares, if any) with the submission of the CAF, by authorizing the SCSB to block such amount in the ASBA Account.

After verifying that sufficient funds are available in the ASBA Account provided in the CAF, the SCSB shall block an amount equivalent to the Application Money for the Equity Shares applied for until it receives instructions from the Registrar of the Issue. Upon receipt of intimation from the Registrar, the SCSBs shall transfer the Application Money in relation to the Equity Shares which will be allotted to the ASBA Investor. Such amount will be

transferred into the separate bank account maintained by the Company. The balance amount remaining after the finalisation of the basis of allotment shall be either unblocked by the SCSBs or refunded to the investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.

The Equity Shareholders applying under the ASBA Process would have agreed to permit blocking of the Application Money for the Equity Shares applied for at the time of the submission of the CAF. The SCSB may reject the application at the time of acceptance of CAF if the ASBA Account provided in the CAF does not have sufficient funds equivalent to the Application Money for the Equity Shares applied for. Subsequent to the acceptance of the application by the SCSB, the Company would have a right to reject the application only on technical grounds.

#### **Options available to the Equity Shareholders applying under the ASBA Process**

The summary of options available to the ASBA Investors is presented below. An ASBA Investor may exercise any of the following options with regard to the Equity Shares offered, using the respective CAFs received from Registrar:

Sr. no	Option Available	Option required
1.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A of the CAF ( <i>All joint holders must sign</i> )
2.	Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares ( <i>All joint holders must sign</i> ).

An ASBA Investor will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, then that CAF would be treated as if the Equity Shareholder has selected to apply through the ASBA process option.

#### **Additional Equity Shares**

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares (as the case may be) that you are entitled to, provided that (i) you have applied for all the Equity offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “Basis of Allotment” on page 128 of this Draft Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Securities in Part A of the CAF.

#### **Renunciation under the ASBA Process**

Renouncees cannot participate in the ASBA Process.

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

The last date for submission of the duly filled in CAF is [●]. The Issue will be kept open for a minimum of 15 days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/Registrar to the Issue or if the CAF is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/Committee of Directors, the offer contained in this Draft Letter of Offer shall

be deemed to have been declined and the Board/Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under “Basis of Allotment”.

#### **Option to receive Securities in Dematerialised Form**

**EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES UNDER THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE BEING HELD ON THE RECORD DATE I.E. [●].**

#### **General instructions for Equity Shareholders applying under the ASBA Process**

- a) Please read the instructions printed on the respective CAF carefully.
- b) Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Draft Letter of Offer are liable to be rejected. The CAF must be filled in English.
- c) The CAF in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or Lead Manager to the Issue.
- d) All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**
- e) All payments will be made by blocking the Application Money for the Equity Shares applied for in the ASBA Account. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company/or Depositories.
- g) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- h) All communication in connection with application for the Securities, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first/sole applicant Equity Shareholder, folio numbers and CAF number.
- i) Only the Equity Shareholders as on the start of the Book Closure Period and not renouncee(s) shall be eligible to participate under the ASBA process.

#### **Do's:**

- a) Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in.
- b) Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- d) Ensure that the CAFs are submitted at the SCSBs whose details of bank account have been provided in the CAF.

- e) Ensure that you have mentioned the correct bank account number in the CAF.
- f) Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price}) available in the ASBA Account mentioned in the CAF before submitting the CAF.
- g) Ensure that you have authorised the SCSB for blocking the Application Money for the Equity Shares applied for, in the ASBA Account, of which details are provided in the CAF and have signed the same.
- h) Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF in physical form.
- i) Each applicant should mention their Permanent Account Number (“PAN”) allotted under the I. T. Act.
- j) Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
- k) Ensure that the Demographic Details are updated, true and correct, in all respects.

***Don'ts:***

- 1. Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- 2. Do not pay the Application Money for the Equity Shares applied for in cash, by money order or by postal order.
- 3. Do not send CAF to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- 4. Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- 5. Do not instruct your respective banks to release the funds blocked under the ASBA Process.

**Grounds for Technical Rejection under the ASBA Process**

In addition to the grounds listed under “Grounds for Technical Rejection” on page 134 of this Draft Letter of Offer, applications under the ASBA Process are liable to be rejected on the following grounds:

- a) Application on split form.
- b) Application for entitlements or additional shares in physical form.
- c) Equity Shareholders applying under ASBA Process for additional Equity Shares in CAF of ‘A’ Equity Shares and vice versa.
- d) DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- e) Sending CAF to a Lead Manager /Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
- f) Renouncee applying under the ASBA Process.
- g) The application form does not bear the stamp of the syndicate member / SCSBs.

- h) Insufficient funds are available with the SCSB for blocking the Application Money for the Equity Shares applied for.
- i) Funds in the ASBA Account having been frozen pursuant to regulatory orders.
- j) Account holder not signing the CAF or declaration mentioned therein.

#### **Depository account and bank details for ASBA Investors**

**IT IS MANDATORY FOR ALL THE ASBA INVESTOR TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL ASBA INVESTORS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. THE ASBA INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF 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 CAF.**

The ASBA Investors should note that on the basis of name of these Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository demographic details of these Equity Shareholders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, ASBA Investors should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Equity Shareholders including mailing of the letters intimating unblock of bank account of the respective Equity Shareholder. The Demographic Details given by Equity Shareholders in the CAF would not be used for any other purposes by the Registrar. Hence, Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants. By signing the CAFs, the Equity Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating allotment and unblocking or refund (if any) would be mailed at the address of the ASBA Investor as per the Demographic Details received from the Depositories. Refunds, if any, will be made directly to the bank account in the SCSB and which details are provided in the CAF and not the bank account linked to the DP ID. ASBA Investors may note that delivery of letters intimating unblocking of bank account 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 Equity Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of bank account.

**Note that any such delay shall be at the sole risk of the ASBA Investor and none of the Company, the SCSBs or the Lead Manager shall be liable to compensate the ASBA Investor for any losses caused to such Equity Shareholder 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 match three parameters, namely, names of the Equity Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

#### **Undertakings by the Company**

1. The complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where our Rights Equity Shares are to be listed will be taken within seven working days of finalization of basis of allotment.
3. The funds required for dispatch of refund orders / allotment letters / certificates by registered post shall be made available to the Registrar to the Issue.

4. The certificates of the Rights Equity Shares / refund orders to the non-resident Indians shall be dispatched within the specified time.
5. Save as otherwise disclosed in the Draft Letter of Offer, no further issue of securities affecting the Equity Capital of our Company shall be made till the Rights Equity Shares issued / offered through this Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.
6. Our Company accepts full responsibility for the accuracy of the information given in this Draft Letter of Offer and confirms that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
7. All information shall be made available by the Lead Manager and our Company to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
8. Our Company certifies that the Investors shall be given an option to get the Rights Equity Shares in demat or physical format.
9. Our Company undertakes that it shall comply with such disclosure, monitoring of the utilisation of proceeds of the Issue and accounting norms specified by SEBI from time to time.

### **Important**

Please read the Draft Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of Draft Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

All enquiries in connection with the Draft Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/DP and Client ID number, the CAF number and the name of the first Eligible Equity Shareholder as mentioned on the CAF and superscribed 'CNEL-Rights Issue' on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

#### **Beetal Financial & Computer Services Pvt. Limited**

Beetal House, 99,  
Madangir, Behind Local Shopping Centre,  
28 Near Dada Harsukh Dass Mandir,  
New Delhi-110062  
Tel nos.: 011-29961281/82  
Fax no.: 011-29961284  
Email: [beetal@rediffmail.com](mailto:beetal@rediffmail.com)  
Website: [www.beetalfinancial.com](http://www.beetalfinancial.com)  
CONTACT PERSON : MR. PUNIT MITTAL  
SEBI REGISTRATION: INR000000262

It is to be specifically noted that this Issue of Rights Equity Shares is subject to the risks set out in the Section titled "Risk Factors" on page 8 of this Draft Letter of Offer.

The Issue will remain open for at least 15 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.



### STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

Our Company's shares are listed on SME platform of BSE since 12<sup>th</sup> March, 2013 under Scrip code" 535142". The high and low closing prices recorded on BSE since listing and the number of shares traded on the days the high and low prices were recorded are stated below:

Year	High (Rs.)	High Date	Volume	Low (Rs.)	Low Date	Volume	Total Volume for the Year
2013	79.60	26/12/2013	3000	31.80	06/06/2013	6000	1,32,000
2014 (Till 12.09.14)	631.00	13/08/2014	16500	83.55	02/01/2014	3000	58,98,500

The details of the share prices on the BSE during last 6 months are as follows:

Month	High (Rs.)	Date of High	Volume	Low (Rs.)	Date of Low	Volume	Total Volume in the Month
Mar-14	367.20	31/03/14	1,95,000	204.20	04/03/2014	3,000	16,83,000
Apr-14	492.60	30/04/14	1,14,000	359.70	01/04/2014	18,000	13,23,000
May-14	508.00	06/05/2014	38,000	418.70	16/05/2014	86,500	11,84,000
Jun-14	489.00	11/06/2014	43,000	448.55	05/06/2014	26,000	8,07,000
July-14	504.25	01/07/2014	17,500	475.00	14/07/2014	19,500	3,94,000
Aug-14	631.00	13/08/2014	16500	497.00	01/08/2014	25,000	2,31,000

The price as on 9<sup>th</sup> June,2014, the day after resolution of the Board of Directors approving the issue the opening and closing price was Rs. 474/- and Rs. 476/- respectively, with the volume of only 29000 shares with a value of Rs. 1,37,84,500/-.

Weekend prices for the last four weeks on BSE is as follows:

Week ended	High (Rs.)	Date of High	Low (Rs.)	Date of Low
12/09/ 2014	505.00	09.09.2014	501.00	11.09.2014
05/09/2014	506.00	02.09.2014	503.00	04.09.2014
29/08/2014	510.50	25.08.2014	504.00	28.08.2014
22/08/2014	585.00	18.08.2014	419.00	22.08.2014

## SECTION VIII

### MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

#### MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or Debentures and / or on their consolidation /splitting are detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized / defined terms herein have the same meaning given to them in the Articles of Association.

1. Table A not to apply                      The regulations contained in Table A of the First Schedule to the Companies Act, 1956, shall not apply to the company except so far as the same are reproduced or contained in or expressly made applicable by these Articles or the Act. The regulations for the management of the Company and for the observance of the Members thereof and their representatives shall, subject to any exercise of the Company's power to modify, alter or add to its regulations, be such as are contained in these articles.
2. Definitions                                      In the interpretation of these Articles, the following words and expressions shall have the following meanings assigned thereunder, unless repugnant to the subject matter or content thereof.

**1. In the interpretation of these Articles, unless repugnant to the subject or context:-**

**"The Company" or "This Company"**

"The Company" or "This Company" means the above named Company.

**"The Act"**

"The Act" means the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force.

**"These Articles"**

"These Articles" means Articles of Association for the time being of the Company or the Articles of Association as altered from time to time by special resolution.

**"Alter"**

"Alter" and Alteration shall include the making of addition and deletions.

**"Annual General Meeting"**

"Annual General Meeting" means a General Meeting of the members held in accordance with Section 166 of the Act.

**"Auditors"**

"Auditors" means and includes those persons appointed as such for the time being by the Company.

**"Beneficial Owner"**

"Beneficial Owner" shall have the meaning assigned thereto by Section 2 (1)(a) of the Depositories Act, 1996.

**"Board"**

"Board" of Board of Directors means a meeting of the Directors duly called and constituted or as the case may be, the Directors assembled at a Board Meeting collectively or acting by circular resolution.

**"Capital"**

“Capital” means the share capital for the time being raised or authorised to be raised, for the purpose of the Company.

“Debenture”

“Debenture” includes debenture - stock.

“Depository”

“Depository” shall have the meaning assigned thereto by Section 2 (1)(e) of the Depositories Act, 1996.

“Depositories Act 1996”

“Depositories Act 1996” shall mean Depositories Act 1996, and include any Statutory modification or re-enactment thereof for the time being in force.

“Directors”

“Directors” means the Directors for the time being of the Company or, as the case may be, the Directors assembled at a Board collectively or acting by circular resolution.

“Dividend”

“Dividend” includes Bonus.

“Extra ordinary General Meeting”

“Extra ordinary General Meeting” means an Extra ordinary General Meeting of the members duly called and constituted and any adjourned holding thereof.

“Gender”

Words importing the masculine gender also include the feminine gender.

“In Writing and Written”

“In Writing and Written” include printing, lithography and other modes of representing or reproducing words in a visible form.

“Legal Representative”

“Legal Representative” means a person who in law represents the estate of a deceased or incompetent member.

“Meeting” or “General Meeting”

“Meeting” or “General Meeting” means a meeting of the members.

“Member”

“Member” means the duly registered holder from time to time of the Shares of the Company of any class and includes the subscriber(s) of the Memorandum of the Company and every person whose name is entered as the beneficial owner of any share in the records of Depository, but does not include the bearer of a share warrant of the Company, if any, issued in pursuance of Articles of Association of the Company.

“Month”

“Month” means the calendar month.

“Office”

“Office” means the Registered Office for the time being of the Company.

“Ordinary Resolution and Special Resolution”

“Ordinary Resolution and Special Resolution” shall have the meanings assigned to it by Section 189 of the Act.

“Paid up”

“Paid up” includes credited as paid up.

“Persons”

“Persons” include corporations and firms as well as individuals.

“Promoters”

“Promoters” means -

“The Registrar”

“The Registrar” means the Registrar of Companies of the State in which the office of the Company is for the time being situated.

“Seal”

“Seal” means the Common Seal for the time being of the Company.

“Secretary”

“Secretary” means of Company Secretary within the meaning of Clause C of Sub-Section (1) of Section 2 of the Company Secretaries Act, 1980 (56 of 1980) and include any other individual possessing prescribed qualification and appointed to perform the duties of which may be performed by a Secretary under this Act and any ministerial and administrative duties.

“Securities & Exchange Board of India”

“Securities & Exchange Board of India” or SEBI means the Securities & Exchange Board of India established under Section 3 of the Securities & Exchange Board of India Act, 1992.

“Security”

“Security” means such security as may be specified by SEBI from time to time.

“Share”

“Share” means a share in the share capital of the Company and includes stock except where a distinction between stock and share is expressed or implied.

“Singular number”

Words importing the “Singular number” include, where the context admits or requires, the plural number and vice versa.

“Year and Financial Year”

“Year” means the Calendar year and “Financial Year” shall have the meaning assigned thereto by Section 2(17) of the Act.

Save as aforesaid, any words or expressions defined in the Act shall, if not inconsistent with the subject or context, bear the same meaning in these Articles. The marginal notes used in these Articles shall not affect the construction thereof.

## **CAPITAL AND INCREASE AND REDUCTION OF CAPITAL**

### **CAPITAL**

2. The Authorised Share Capital of the Company is as per clause V of the Memorandum of Association of the Company with all rights to the company to alter the same in any way it thinks fit.

### **INCREASE OF CAPITAL BY THE COMPANY AND HOW CARRIED INTO EFFECT**

3. The Company in General Meeting may be Ordinary Resolution, from time to time increase the capital by 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 increase capital shall be issued upon such terms and conditions and with such rights and privileges attached 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 assets of the Company, and with a right of voting at General Meetings of the Company in conformity with section 87 and 88 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 Section 97 of the Act.

4. The shares in the capital shall be distinguished by its appropriate number, provided that nothing in this section shall apply to the shares held with a depository.

#### **SHARES AT THE DISPOSAL OF THE DIRECTORS**

5. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.

#### **POWER ALSO TO COMPANY IN GENERAL MEETING TO ISSUE SHARES**

6. In addition to and without derogating from the powers for the purpose conferred on the Board under Article 5 & 8 the Company in General Meeting may subject to the Provisions of Section 81 of the Act, determine that any share (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or not) in such proportions and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount, as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted any class of shares of the Company either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provisions, whatsoever for the issue, allotment or disposal of any shares.

#### **INCREASE OF CAPITAL**

7. The Company in General Meeting may from time to time increase its share capital by the creation of further shares, such increase to be of such aggregate amount and to be divided into shares of such respective amount as the resolution shall prescribe. Subject to the provisions of the Act, the further shares 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 Board shall determine.

#### **FURTHER ISSUE OF SHARES**

8.
  - 1) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:
    - a. Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.

- b. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
- c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.

PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

- d. After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion fit.

- 2. Not withstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub clause (1) hereof in any manner whatsoever.

- a. If a special resolution to that effect is passed by the Company in General Meeting, or
- b. Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposer by members, so entitled and voting and Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

- 3. Nothing in sub-clause © of (1) hereof shall be deemed:

- a. To extend the time within which the Offer should be accepted; or
- b. To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made had declined to take the shares comprised in the renunciation.

Nothing in the Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

- 4. To convert such debentures or loans into shares in the Company; or
- 5 To subscribe for shares in the Company whether such options is conferred in these Articles or otherwise.

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term;

- a. Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or in conformity with the rules, if any, made by that Government in this behalf;
- b. In the case of debentures or loans or other than debentures issued or loans obtained from Government or any Institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in general meeting before the issue of debentures or raising of the loans.

#### **POWER ALSO TO COMPANY IN GENERAL MEETING TO ISSUE SHARES**

- 8A. In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a

premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.

#### **POWER OF GENERAL MEETING TO AUTHORISE BOARD TO OFFER SHARES/OPTIONS TO EMPLOYEES**

- 8B.** Without prejudice to the generality of the powers of the General Meeting under Article 8A or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified there under and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted / granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/Other writing, as may be set out before it, for the aforesaid purpose.

In addition to the powers contained in this Article, the General Meeting may authorize the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme / Plan / other writing approved under the aforesaid Article.

#### **SHARES AND CERTIFICATES**

##### **19. "REGISTER AND INDEX OF MEMBERS"**

The Company shall cause to be kept at its Registered Office or at such other place as may be decided, Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Act and the Depositories Act, 1996 with details of shares held in physical and dematerialized forms in any media as may be permitted by law including in any form of electronic media.

The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be the Register and Index of Members for the purpose of this Act. The Company shall have the power to keep in any state or country outside India, a Register of Members for the residents in that state or country.

##### **20. SHARES TO BE NUMBERED PROGRESSIVELY**

The shares in the capital shall be numbered progressively according to their several denominations and except in the manner herein before mentioned, no share shall be sub-divided.

##### **21. DIRECTORS MAY ALLOT SHARES FULLY PAID-UP**

Subject to the provisions of the Act and of these Articles, the Board may allot and issue shares in the capital of the Company as payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the company either in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid-up shares and if so issued shall be deemed to be fully paid up shares.

##### **22. APPLICATION OF PREMIUM**

1. Where the Company issue shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account to be called Share Premium Account and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in this clause, apply as if the share premium account were paid up share capital of the Company.

2. The share premium account may, notwithstanding sub-clause (1) hereof, be applied by the Company;

- e. in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
- f. In writing off the preliminary expenses of the Company;
- g. In writing off the expenses of or the commission paid or discount allowed on any issue of shares or debenture of the Company or
- h. In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.

### **23. INSTALLMENTS OF SHARES**

If by the terms of issue of any shares or otherwise, the whole or any part of the amount or issue price thereof shall be payable by installments at a fixed time, every such installments shall when due, be paid to the Company by the person who, for the time being and from time to time, is the registered holder of the shares of his legal representatives.

### **24. ACCEPTANCE OF SHARES**

Subject to the provisions of these Articles, any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these articles and every person who thus or otherwise accept any shares and whose name is on the Register of Members shall, for the purposes of these Articles, be a member, provided that no share shall be applied for or allotted to a minor, insolvent or person of unsound mind.

### **25. DEPOSITS AND CALLS TO BE DEBT PAYABLE IMMEDIATELY**

The money (if any) which the Board of Directors shall, on the allotment of any shares being made by it, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by it, shall immediately on the insertion of the name of the allottee in the Register of Members as the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.

### **26. LIABILITY OF MEMBERS**

Every member or his heir, executors or administrators shall pay to the Company the proportion of the capital represented by his share or shares which may, for the time being remain unpaid thereon in such amounts, at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's regulations require or fix for the payment thereof.

### **27. LIMITATION OF TIME FOR ISSUE OF CERTIFICATE**

The Company shall, unless the conditions of issue otherwise provide, within three months after the allotment of any of its shares or debentures and within one month after the application for the transfer of any such shares or debentures, complete and have ready for delivery the certificates of all shares and debentures allotted or transferred.

### **28A. LIMITATION OF TIME FOR ISSUE OF CERTIFICATES**

Every members shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate to all such holder.

### **28B. ISSUE OF NEW CERTIFICATE IN PLACE OF DEFACED, LOST OR DESTROYED**

If any certificate be worn out, defaced mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the



satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every Certificates under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fees shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

## **29. JOINT ALLOTTEES OF HOLDERS**

Any two or more joint allottees or holders of shares shall, for the purpose of Article-28, be treated as a single member and the certificate for any share, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them.

## **30. RENEWAL OF SHARES CERTIFICATES**

A certificate of share may be renewed or a duplicate issued in accordance with the provisions of the Act and the Companies (Issue or Share Certificates) Rules, 1960 and any modification thereof.

## **31. THE FIRST NAMED OF JOINT HOLDERS DEEMED SOLE HOLDER**

If any share stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and/or any other matter connected with the Company, except voting at meeting and the transfer of the share, be deemed the sole holder thereof, but the joint holders of a share be severally as well as jointly, liable for the payment of all installments and calls due in respect of such share and for all incidents thereof according to these Articles.

## **32. COMPANY NOT BOUND TO RECOGNISE ANY INTEREST IN SHARE OTHER THAN THAT OF REGISTERED HOLDER**

1. The Company shall not be bound to recognize any equitable, contingent, future or partial interest in any share or (except only as is by these presents, otherwise expressly provided) any right in respect of a share other than an absolute right there to, in accordance with these presents in the person from time to time registered as the holder thereof, but the Board shall be at liberty at its sole discretion to register any share in the joint names of two or more persons or survivors of them.

2. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as by Law required) be bound to recognize any benami trust or equitable, contingent, future, partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

## **33. WHO MAY HOLD SHARES**

Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or in the name of a person of unsound mind or in the name of any firm or partnership.

33A. The Directors shall have the power to offer, issue and allot Equity Shares in or Debentures (whether fully/partly convertible or not into Equity Shares) of the Company with or without Equity Warrants to such of the Officers, Employees, Workers of the Company or of its Subsidiary and / or Associate Companies or Managing and Whole Time Directors of the Company (hereinafter in this Article collectively referred to as "the Employees") as may be selected by them or by the trustees of such trust as may be set up for the benefit of the Employees in accordance with the terms and conditions of the Scheme, trust plan or proposal that may be formulated, created, instituted or set up by the Board of Directors or the Committee thereof in that behalf on such terms and conditions as the Board may in its discretion deem fit.

## **33B. SWEAT EQUITY**

Subject to the provisions of the Act (including any statutory modification or re-enactment thereof, for the time being in force), shares of the Company may be issued at a discount or for consideration other than cash to Directors or employees who provide know-how to the Company or create an intellectual property right or other value addition.

### **33 C. DECLARATIONS BY PERSON NOT HOLDING BENEFICIAL INTEREST IN ANY SHARES**

1. Notwithstanding anything herein contained a person whose name is at any time entered in Register of Member of the Company as the holder of a Share in the Company, but who does not hold the beneficial interest in such Shares, shall, if so required by the Act within such time and in such forms as may be prescribed, make declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such Share in the manner provided in the Act.

2. A person who holds a beneficial interest in a Share or a class of Shares of the Company, shall if so required by the Act, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person in whose name the Shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in the Act.

3. Whenever there is a change in the beneficial interest in a Share referred to above, the beneficial owner shall, if so required by the Act, within the time prescribed, from the date of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed in the Act.

4. Notwithstanding anything contained in the Act and Articles 35 and 36 hereof, where any declaration referred to above is made to the Company, the Company shall, if so required by the Act, make a note of such declaration in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Register with regard to such declaration.

### **33D. FUNDS OF COMPANY NOT TO BE APPLIED IN PURCHASE OF SHARES OF THE COMPANY**

No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.

### **33E. ISSUE OF SHARES WITHOUT VOTING RIGHTS**

In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such share upon such terms and conditions and with such rights and privileges annexed thereto as through fit and as may be permitted by law.

### **33F. SECTIONS 83 AND 108 OF THE ACT NOT TO APPLY**

Notwithstanding anything to the contrary contained in the Articles,

1. Section 83 of the Act shall not apply to the Shares held with a Depository;
2. Section 108 of the Act shall not apply to transfer of Security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the Records of a Depository.

### **33G. LIABILITY OF MEMEBRS**

Every member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.

### **33H. TRUST RECOGNIZED**

A. Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognize, even when having notice thereof, any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

B. Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.

## **TRANSFER AND TRANSMISSION OF SHARES**

### **65. REGISTER OF TRANSFER**

The Company shall keep a book to be called the Register of Transfer and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

### **66. EXECUTION OF TRANSFER**

Subject to the Provisions of the Act and these Articles, the transfer of shares in or debentures of the Company shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificate if in existence or along with the letter of allotment of the shares or debentures. 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. Shares of different classes shall not be included in the same instrument of transfer.

### **67. INSTRUMENT OF TRANSFER**

The instrument of transfer shall be in writing and all the provisions of section 108 of the Act and any statutory modification thereof, for the time being, shall be duly complied with in respect of all transfers of shares and of the registration thereof.

### **69. TRANSFER OF SHARES**

1. An application for the registration of a transfer of shares may be made either by the transferor or by the transferee.

2. Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

3. For the purpose of clause (2) hereof notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instruments of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

#### **4. DIRECTORS MAY REFUSE TO REGISTER TRANSFER**

Subject to the Provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in or Debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be giving reasons for such refusal. Provided that the registration of a transfer shall not be refused person or persons indebted to the Company on any account whatsoever except where the Company has a lien on Shares.

5. If the Company refuses to register the transfer of any share or transmission of right therein, the Company shall within one month from the date on which instrument of transfer or the intimation of transmission, as the case may be, was delivered to the Company, sends notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be.

6. Nothing in these Articles shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares of the Company has been transmitted by operation of law.

### **7. NO FEE ON TRANSFER OR TRANSMISSION**

No fee shall be charged for registration of transfer, transmission, Probate, Succession, Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

### **80. THE COMPANY NOT LIABLE FOR DISREGARD OF A NOTICE PROHIBITING REGISTRATION OF TRANSFER**

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer or transmission of shares made or purporting to be made by any apparent legal owner thereof as

shown or appearing in the Register of Members to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer any may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some books of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

#### **JOINT HOLDERS**

##### **81. BOARD MAY REFUSE TRANSFER TO MORE THAN THREE PERSONS**

Subject to the provisions of the Act, the Board may refuse to transfer a share or shares in the joint names of more than three persons.

##### **82. JOINT HOLDERS**

Where more than one person is registered as the holder of any share, the person first named in the Register of Members as one of the joint holders of a share shall be deemed the sole holder for matters connected with the Company subject to the following and other provisions contained in these articles;

#### **JOINT AND SEVERAL LIABILITIES FOR ALL PAYMENTS IN RESPECT OF SHARES**

a. The joint holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share.

#### **CONVERSION OF SHARES INTO STOCK**

##### **83. Shares may be converted into stock**

The Board may, with the sanction of a General Meeting, convert any paid up share into stock and when any shares shall have been converted into stock, the several holders of such stock may henceforth, transfer their respective interests therein or any part of such interest in the same manner as and subject to the same regulations, under which fully paid up share in the capital of the Company may be transferred or as near thereto as circumstances will admit, but the Board may, from time to time if it thinks fit, fix the minimum amount of stock transferable and direct that fractions of a rupee shall not be dealt with, power nevertheless at their discretion to waive such rules in any particular case.

##### **84. Rights of Stock-holders**

The stock shall confer on the holders thereof respectively the same rights, privileges and advantages as regards participation in the profits and voting at meetings of the Company and for other purposes as would have been conferred by shares of equal amount in the capital of the Company of the same class as the shares from which such stock was converted, but so that none of such privileges or advantages except participation in the profits of the Company or in the assets of the Company on a winding up, shall be conferred by any such equivalent part of consolidated stock as would not, if existing in shares have conferred such privileges or advantages. No such conversion shall effect or prejudice any preference or other special privileges attached to the shares so converted. Save as aforesaid, all the provisions herein contained shall, so far as circumstances will admit, apply to stock as well as to shares. The Company may at any time reconvert any such stock into fully paid up shares of any denomination.

#### **MEETING OF MEMBERS**

##### **85.**

- a) Subject to Section 166 of the Act, the Company shall in each year hold, in addition to any other meetings, a General Meeting as its Annual General Meeting and shall specify the meeting as such in the notices calling it and not more than fifteen months shall elapse between the date of the Annual General Meeting of the Company and that of the next, subject however to the right of the Registrar, under the Act, to extend the time within which any Annual General Meeting may be held.
- b) Every Annual General Meeting shall be called for at a time during business hours on a day that is not a public holiday and shall be held either at the Registered Office of the Company or at some other place within the city or town or village in which the Registered Office of the Company is situated.

**86.** The Company shall in accordance with Section 159 of the Act, within 60 day from the day on which the Annual General Meeting is held, prepare and file with the Registrar a return in the form set out in part II of Schedule V to the Act or as near thereto as the circumstance shall admit and containing the particulars specified in part I of the said Schedule V together with three copies of the Balance Sheet and the Profit and Loss Account laid before the Annual General Meeting in accordance with Section 220 of the Act.

#### **Distinction between Annual General Meeting and Extra-ordinary General Meeting**

**87.** The General Meeting referred to in Article 86 shall be called and styled as an Annual General Meeting and all meetings other than the Annual General Meeting shall be called Extra-ordinary General Meetings.

#### **Calling of Extra-ordinary General Meeting**

**88.** The Board may, whenever it thinks fit, call an Extra-ordinary General Meeting of the Company and it shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid forthwith proceed to convene an Extra-Ordinary General Meeting of the Company and in the case of such requisition, the provision of Section 169 of the Act shall apply. No shareholder or shareholders shall call a meeting of the Company except by or upon a requisition as herein provided.

#### **Length of notice for calling meeting**

**89.**

(1). A General Meeting of the Company may be called giving not less than twenty one days notice in writing.

(2) A General Meeting may be called after giving shorter notice than the specified in sub-clause (1) hereof, if consent is accorded thereof.

- (i) in the case of an Annual General Meeting, by all the members entitled to vote thereat: and
- (ii) in the case of any other meeting, by members of the Company holding not less than ninety five per cent of such part of the paid up share capital of the Company as gives a right to vote at that meeting.

Provided that where any members of the Company are entitled to vote on some resolution to be moved at the meeting and not on the others, those members shall be taken into the account for the purpose of this sub-clause in respect of the former resolution or resolutions and not in respect of the later.

**93.** No General Meeting, Annual or Extra-ordinary, shall be competent to enter upon, discuss or transact any business which has not been specifically mentioned in the notice or notices upon which it is convened.

#### **Quorum**

**94.** Five members entitled to vote and present in person shall be a quorum for a General Meeting. When more than one of the joint holders of a share is present not more than one of them shall be counted for determining the quorum. Several executors or administrators of a deceased person in whose sole name a share stands shall, for the purpose of this Article, be deemed joint holders thereof. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India, or the Governor of a State being member of the Company shall be deemed to be personally present if he is represented in accordance with Section 187A of the Act.

#### **Presence of quorum**

**95.** No business shall be transacted at any General Meeting unless the requisite quorum shall be present at the commencement of the business.

If Quorum not present, meeting to be dissolved and when to be adjourned

**96.** If within half an hour from the time appointed for holding the meeting a quorum is not present, the meeting, if called upon the requisition of members shall stand dissolved but in any other case, it shall stand adjourned to the same day in the next week, at the same time and place or if that day is a public holiday, or to such other day, time and place as the Board may determine.

**97.** If at the adjourned meeting, a quorum is not present within half an hour from the time appointed for holding the meeting the members present shall be a quorum and may transact the business for which the meeting was called.

**Resolution passed at adjourned meeting**

**98.** Where a resolution shall, for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

**Power of adjourn General Meeting**

**99.** (1) The Chairman of the General Meeting may adjourn the same from time to time and from place to place, but not business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(2) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(3) Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the business to be transacted at any adjourned meeting.

**Chairman of General Meeting**

**100.** The Chairman of the Board shall, if willing, preside as Chairman at every General Meeting, Annual or Extra-ordinary, if there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or being present declined to take the Chair, the Directors present may choose one of their members to be Chairman and in default of their doing so, the members present shall choose one of the Directors to be Chairman and if no Director present be willing to take the Chair, members shall, on a show of hands elect one of their numbers to be Chairman, of the meeting, if a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of the Act and these Articles and the Chairman elected on a show of hands shall exercise all the powers of the Chairman under the said provisions. If some other person is elected chairman as a result of the poll, he shall be the Chairman for the rest of the meeting.

**Postal Ballot**

**102A** The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Act and such other applicable provisions of the Act and any future amendments or re-enactment thereof. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of a resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of postal ballot instead of transacting such business in a general meeting of the Company.

**How question to be decided at meetings**

**103.** At any General Meeting, a resolution put to the vote of the meeting, shall be, decided on a show of hands unless the poll is demanded as provided in these Articles.

**Declaration of Chairman to be conclusive**

**104.** A declaration by the Chairman that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

**Demand for poll**

**105.** (1) Before or on the declaration of the result of the voting on any resolution on a show hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on demand made in that behalf by the person or persons specified below, that is to say:

by any member or members present in person or by proxy and holding shares in the Company:

I. which confer a power to vote on the resolution not being less than one-tenth to the total voting power in respect of the resolution or

II. on which an aggregate sum of not less than fifty thousand has been paid up.

(2) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

**Time of taking Poll**

**106.** Any poll duly demanded on the question of adjournment shall be taken forthwith, a poll demanded on any other question shall be taken at such time not exceeding 48 hours from the time when the demand was made, as the Chairman of the meeting may direct.

**Scrutineers at Poll**

**107.** Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on the poll and to report thereon to him, the Chairman shall have power, at any time, before the result of the poll is declared to remove a scrutineer from office and to fill vacancies of the office of scrutineer arising from such removal or from any other cause of the two scrutineers so to be appointed, one shall always be a member (not being an officer or employee of the Company) present at the meeting provided such a member is available and is willing to be appointed.

**Business may proceed notwithstanding demand for Poll**

**108.** 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.

**Chairman's casting vote**

**109.** In the case of equality of votes, the Chairman shall, both on a show of hands and on a poll, have a second or casting vote in addition to the vote or votes to which he may be entitled as a member.

**Manner of taking poll and result thereof**

**110.** (a) Subject to the provisions of the Act the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.

(b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

**110A. Requisitionists' meeting**

(1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of Members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists:-

(a) Give to the Members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting.

(b) Circulate to the Members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that Meeting.

(2) The number of Members necessary for a requisition under clause (1) hereof shall be (a) Such number of Members as represent not less than one-twentieth of the total voting power of all the Members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or

(b) not less than one hundred Members having the rights aforesaid and holding Shares in the Company on which there has been paid up an aggregate sum of not less than Rupees one lac in all.

(3) Notice of any such resolution shall be given and any such statement shall be circulated, to Members of the Company entitled to have notice of the Meeting sent to them by serving a copy of the resolution or statement to each Member in any manner permitted by the Act for service of notice of the Meeting and notice of any such resolution shall be given to any other Member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the Company. The copy of the resolution shall be served, or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable, at the same time as notice of the Meeting and where it is not practicable for it to be served or given at the time it shall be served or given as soon as practicable thereafter.

(4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless:

(a) A copy of the requisition signed by, the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Registered Office of the Company.

(i) In the case of a requisition, requiring notice of resolution, not less than six weeks before the Meeting.

(ii) the case of any other requisition, not less than two weeks before the Meeting, and

(b) There is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto.

PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof.

(5) The Company shall also not be bound under this Article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter.

(6) Notwithstanding anything in these Articles, the business which may be dealt with at Annual General Meeting shall include any resolution for which notice is given in accordance with this Article, and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission in giving it to one or more Members.

**110B. Extra-ordinary General Meeting by Board and by Requisition.**

(a) The Directors may whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of the Members as herein provided, forthwith proceed to convene Extra-Ordinary General Meeting of the Company.

(b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.

**110C. Contents of requisition, and number of requisitionists required and the conduct of Meeting**

(1) In case of requisition the following provisions shall have effect:

(a) The requisition shall set out the matter for the purpose of which the Meeting is to be called and shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.

(b) The requisition may consist of several documents in like form each signed by one or more requisitionists.

(c) The number of Members entitled to requisition a Meeting in regard to any matter shall be such number as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up share capital of the Company as that date carried the right of voting in regard to that matter.

(d) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (3) shall apply separately in regard to such matter, and the requisition shall accordingly be valid only in respect of those matters in regard in regard to which the conditions specified in that clauses are fulfilled.

(e) If the Board does not within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed, duly to call a Meeting for consideration of those matters on a day not later than forty-five days from the date of the date deposit of the requisition, the Meeting may be called:

(i) By the requisitionists themselves; or

(ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of the paid-up share capital of the Company as is referred to in sub clauses (c) of clause (1) which ever is less, PROVIDED THAT for the purpose of this sub-clause, the Board shall, in the case of a Meeting at which a resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the Meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.

(2) A meeting called under sub-clause (c) of clause (1) by requisitionists or any of them:

(a) shall be called in the same manner as, nearly as possible, as that in which meeting is to be called by the Board; but

(b) shall not be held after the expiration of three months from the date of deposit of the requisition. PROVIDED THAT nothing in sub-clause (b) shall be deemed to prevent a Meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some days after the expiry of that period.

(3) Where two or more Persons hold any Shares in the Company jointly; a requisition or a notice calling a Meeting signed by one or some only of them shall, for the purpose of this Article, have the same force and effect as if it has been signed by all of them.

(4) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly to call a Meeting shall be repaid to the requisitionists by the Company; and any sum repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.



## **VOTES OF MEMBERS**

### **111. Votes may be given by proxy or attorney**

Subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate, also by a representative duly authorised under section 187 of the Act and Article 113.

### **112. Votes of members**

Subject to the provision of the Act and these Articles, every member not disqualified by Article 116 shall be entitled to be present in person and holding any equity share capital therein, shall have one vote and upon a poll the voting right of every such member present in person or by proxy shall be in proportion to his share of paid up equity share capital of the Company.

Provided, however, if any preference share holder be present at any meeting of the Company, save as provided in Clause (b) of sub-section (2) of Section 84 of the Act, he shall have a right to vote only on resolution placed before the meeting which directly affect the rights attached to his preference shares.

### **113. Right of member to use his votes differently**

On a poll being taken at meeting of the Company, a member entitled to more than one vote or his proxy or other person entitled to vote for him as the case may be need not, if he votes, use all his votes or cast in the same way all the votes he uses.

### **114. Representation of Body Corporate**

A body corporate whether a Company within meaning of the Act or not may, if it is a member or creditor of the Company including being a holder of debentures, may authorize such person by a resolution of its Board of Directors, as it thinks fit, to act as its representative at any meeting of creditors of the Company.

### **115. Restriction on exercise of voting right by members who have not paid calls**

No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and/or has exercised its right of lien.

### **116. No voting by proxy on show of hands**

No member not personally present shall be entitled to vote on a show of hands, unless such member is a body corporate present by a representative duly authorized, under Section 187 of the Act in which case such representative may vote on a show of hands as if he were a member of the Company. A proxy who is present at a meeting shall not be entitled to address the meeting.

### **117. How member non-compos mentis and minor may vote**

If any member be a lunatic or non-compos mentis, the vote in respect of his share or shares shall be his committee or other legal guardian provided that such evidence of the authority of the person claimed to vote as shall be acceptable by the Board shall have been deposited at the office of the Company not less than forty eight hours before the time of holding a meeting.

### **118. Instrument of proxy**

The instrument appointing a proxy shall be in writing and signed by the appointer or his attorney duly authorized in writing or if the appointer is a body corporate be under its seal or be signed by an officer or attorney duly authorized by it.

### **119. Instrument of proxy to be deposited at office**

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority shall be deposited at the registered office of the Company not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. No instrument of proxy shall be valid after the expiration of twelve months from the date of its execution.

**120. When vote by proxy valid though authority revoked**

vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the vote is given. Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjournment meeting at which the proxy is used.

**121. Form of proxy**

Every instrument of proxy, whether for specified meeting or otherwise shall, as nearly as circumstances will admit, be in the form set out in Schedule IX of the Act.

**122. Time for objection to vote**

No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be so tendered and every vote whether given personally or by proxy and not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

**130. Qualification of Directors**

A Director need not hold any qualification shares.

**131. Remuneration of Directors**

(1) Subject to the provisions of the Act, a Managing Director or any other Director, who is in the Whole time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.

(2) Subject to the provisions of the Act, a Director who is neither in the Whole-time employment not a Managing Director may be paid remuneration.

- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government: or
- (ii) by way of commission if the Company by a special resolution authorises such payments.

(3) The fees payable to Director (including a Managing or whole-time Director, if any) for attending a meeting of the Board or Committee shall be decided by the Board of Directors from time to time, however the amount thereof shall not exceed limit provided in the Companies Act, 1956 and rules, if any, framed there under.

(4) if any Director be called upon to perform extra services or special exertion or efforts (which expression shall include work done by a Director as member of any committee formed by the Directors), the Board may arrange with such Directors for such special remuneration for such extra services or special exertions or either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.

**136A. Special Director**

In connection with any collaboration arrangement with any company or corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the directors may authorize such company, corporation, firm or person herein-after in this clause referred to as "collaboration" to appoint from time to time any person as director of the company (hereinafter referred to as "special director") and may agree that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for office of such director, so however that such special director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such collaborator under the collaboration arrangements or at any time thereafter.

The collaborators may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time appoint any other person as special director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.

It is clarified that every collaborator entitled to appoint a director under this article may appoint one such person as a director and so that if more than one collaborator is so entitled there may be at any time as many special directors as the collaborators eligible to make the appointment.

#### **136B. Alternate Director**

The Board may appoint, an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original Director") to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such Meetings to have and exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.

#### **136F. Disqualification of the Director**

A person shall not be capable of being appointed Director of the Company if:-

- a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
- b) he is an undischarged insolvent;
- c) he has applied to be adjudged an insolvent and his application is pending;
- d) he has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five months and a period of five years has not elapsed from the date of expiry of the sentences;
- e) he has not paid any call in respect of shares of the Company held by him whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or
- f) an order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that Section.

#### **136G. Director may be director of companies promoted by the Company**

A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise and no such Director shall be accountable for any benefit received as director or Shareholder of such company except in so far as Section 309(6) or Section 314 of the Act may be applicable.

#### **136H. Appointment of Sole Selling Agents**

- a) The appointment, re-appointment and extension of the sole selling agent, shall be regulated in accordance with the provisions of Section 294 of the act and any rules or Notifications issued by the competent authority in accordance with that section and the Directors and/or the Company in General Meeting may make the appointment, re-appointment or Section and such rules or notifications, if any, as may be applicable.
- b) The payment of any compensation to a sole selling agent shall be subject to the provisions of Section 294A of the Act.

### **REMOVAL OF DIRECTORS**

#### **Removal of Directors**

**142.** (1) The Company may, by ordinary resolution, remove a Director not being a Nominee Director appointed under Article 128 or a Debenture Director appointed under Article 129 and not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of this period of office.

(2) Special notice shall be required of any resolution to remove a Director under this Article or to appoint somebody instead of a Director so removed at the meeting at which he is removed.

(3) On receipt of notice of a resolution to remove a Director under this Article the Company shall forthwith send a copy thereof to the Director concerned and the Director shall be entitled to be heard on the resolution at the meeting.

(4) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representation in writing to the Company (not exceeding a reasonable length) and request its notification to members of the Company and shall unless the representations are received by it too late for it to do so.

(a) in any notice of resolution given to the members of the Company, state the fact of the representations having been made; and

(b) send a copy of the representation to every member of the Company to who notice of the meeting is sent (whether before or after receipt of the representations by the Company) and if a copy of the representation is not sent as aforesaid because it was received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representation shall be readout at the meeting' provided that copies of the representation need not be sent out and the representation need not be read out at the meeting if on the application either of the Company or of any other person who claims to be aggrieved, a court of competent jurisdiction is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.

(5) A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board under Article 127 hereof, be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.

(6) If the vacancy is not filled up under the clause (5) hereof, it may be filled as a casual vacancy in accordance with the provisions, so far as they may be applicable to Article 127 hereof and all the provisions of that Article, shall apply accordingly. Provided that the Director who is removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.

#### **PROCEEDINGS OF DIRECTORS**

**144.**(a) The Board of Directors may meet together for the dispatch of business, adjourn or otherwise regulate its meetings and proceedings as it may think fit.

(b) A meeting of the Board of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year.

(c) The Chairman, if any, of the Board of Directors may at any time and the Managing Director, if any or the Secretary on the requisition of a Director shall summon a meeting of the Board.

(d) Notice of every meeting of the Board of Directors of the Company shall be given in writing to every Director for the time being in India and at his usual address in India to every other Director.

#### **Act of Board or Committee valid notwithstanding defective Appointment**

**151.**All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or Committee or person acting as aforesaid or that they or any of them were or was disqualified or had vacated office or that the appointment or any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director and had not vacated office or his appointment had not been terminated. Provided that nothing in this Article shall be deemed to give validity to acts done by Director after his appointment has been shown to the Company to be invalid or to have terminated.

**152.**(1) No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the members of the committee, than in India (not being less in number than the quorum

fixed for a meeting of the Board or a Committee thereof as the case may be) and to all other Directors or members at their usual address in India or by a majority of such of them as are entitled to vote on the resolution.

(2) A resolution passed by circular without a meeting of the Board or a Committee of the Board shall, subject to the provisions of sub-clause (1) hereof and the acts, be as valid and effectual as resolution duly passed at meeting of the Board or of the Committee duly called and held.

### **153. General powers of the Board**

(1) Subject to the provisions of the Act and these Articles, the Board of Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorized to exercise and do.

Provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the act or any other act or by the Memorandum of Association of the Company or these Articles or otherwise to be exercised or done by the Company in General Meeting.

Provided further than exercising any power or doing any such act or thing, the Board shall be subject to provisions contained in this behalf in act or in any other act or in the Memorandum of Association or in any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in General Meeting.

(2) No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

### **153A. Certain powers to be exercised by the Board only at Meetings.**

(1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;

- a) the power to make calls, on shareholders in respect of money unpaid on their Shares,
- b) the power to issue Debentures,
- c) the power to borrow moneys otherwise than on Debentures,
- d) the power to invest the funds of the Company, and
- e) the power to make loans

Provided that the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:

(2) Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.

(3) Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.

(4) Every resolution delegating the power referred to in sub-clause (1) (e) above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

**154.** The Board may exercise all such powers of the Company and do all such acts and things as are not by the Act or any other act or by the memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting but no regulation made by the company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting.

- a) Sell, lease or otherwise dispose off whole or substantially the whole of the undertaking of the company or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking.
- b) Remit, or give time for the repayment of, any debt due by the Director.
- c) Invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time.
- d) Borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the company, and its free reserves that is to say reserves not set apart for any specific purpose as specified in Section 292 of the Act, shall subject to these Articles, be exercised only at meeting of the Board unless the same be delegated to the extent therein stated or
- e) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever greater.

#### **Power to Borrow**

155. Subject to the provisions of Sections 292 and 293 of the Act, the Board may, from time to time at its discretion and by means of resolutions passed at its meeting accept deposits from members either in advance of calls or otherwise and generally, raise or borrow or secure the payment or any sum or sums of money for the purposes of the Company.

**155A.** All the provisions applicable to nomination facility available to shareholder(s) and debentureholder(s) enumerated in Article 67A of these Articles shall equally apply to depositholder(s).

#### **155B. The payment or repayment of moneys borrowed**

The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

#### **155C. Bonds, Debentures, etc. to be subject to control of Directors**

Any bonds, debentures, debenture-stock or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and condition and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

#### **Condition on which money may be borrowed**

**156.** The Board may raise or secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of bonds, perpetual or redeemable debenture-stock or any mortgage, charge or other security on the undertaking of the whole or any part of the Company (both present and future) including its uncalled capital for the time being. The Board shall exercise such power only by means of resolutions passed at its meetings and not by circular resolutions.

#### **157. Terms of issue of Debentures**

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

**157A. Debentures with voting rights not be issued.**

- a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business.
- b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.
- c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.
- d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act.
- e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance.
- f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debenture-stock allotted or transferred.
- g) The Company shall comply with the provision of Section 118 of the Act, as regards supply of copies of debenture Trust Deed and inspection thereof.
- h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.

#### **158. Execution of indemnity**

If the Directors or any of them or any other persons shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or surety for the company.

#### **159. Certain powers of the Board**

Without prejudice to the general powers conferred by Articles 155 and the other powers conferred by these Articles and Section 191 of the Act, so as not in any way to limit or restrict those powers, but subject however to the provisions of the Act, it is hereby expressly declared that the Board shall have the following powers:

- 1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment, and registration of the Company.
- 2) Subject to Sections 292 and 297 and other applicable provisions of the Act, to purchase or otherwise acquire for the Company any property, movable or immovable, rights or privileges which the Company is authorized to acquire at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Board may believe or may be advised to be reasonably satisfactory.
- 3) At its discretion and subject to the provisions of the Act, to pay for any property, rights, privileges acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, mortgages or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as fully paid up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company including its uncalled capital or not so charged.
- 4) To secure the fulfillment of any contracts, agreements or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.
- 5) To appoint and at its discretion, remove or suspend, such managers, secretaries, officers, clerks, agents and employees for permanent, temporary or special services as it may from time to time think fit and to determine their power and duties and fix their salaries, emoluments remuneration and to require security in such instances and of such amounts as it may think fit.
- 6) To accept from any member subject to the provisions of the Act, a surrender of his share or any part thereof on such terms and condition as shall be agreed.
- 7) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purpose and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.
- 8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time

for payment or satisfaction of any debts due or any claims or demands by or against the Company and to refer any difference to arbitration and observe and perform the terms of any awards made therein either according to Indian Law or according to Foreign Law and either in India or abroad and observe and perform or challenge any award made therein.

- 9) To refer any claims or demands by or against the Company or any difference to arbitration and observe and perform the awards.
- 10) To act on behalf of the Company in all matters relating to bankruptcy and insolvency.
- 11) To make and give receipts, releases and other discharges for money payable to the Company and for the claims and demands of the Company.
- 12) To open and operate Bank Accounts, to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purposes.
- 13) Subject to the provisions of the Act and these Articles from time to time to provide for the management of the affairs of the Company in or outside India in such manner as it may think fit and in particular to appoint any person to be the attorneys or agents of the Company with such person (including the power to sub-delegate) and upon such terms as may be thought fit.
- 14) Subject to the provisions of Sections 291, 292, 293, 295, 370, 373 and other applicable provisions of the Act and these Articles, to invest and deal with the moneys of the Company not immediately required for the purpose thereof in or upon such security (not being shares in this Company) or without security and in such manner as it may think fit and from time to time to vary or realize such investments save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
- 15) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur, any personal liability for the benefit of the Company, such mortgages of the Company's property (present and future) as it thinks fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon.
- 16) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as a part of working expenses of the Company.
- 17) To provide for the welfare of employees or ex-employees of the Company and the wives and families or the dependents or connections of such persons by building or contributing to the building of houses, dwellings or chawls or by grants of money, pension, gratuity, annuities, allowances, bonuses or other payments or by creating and from time to time subscribing or contributing to, provident fund and other associations institutions, funds or trusts and by providing or subscribing or contributing towards places of instruction or recreations, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit.
- 18) To subscribe, incur expenditure or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or any other institutions or objects which shall have any moral or other claim to support or aid by the Company either by reason of locality of operation or of public and general utility or otherwise.
- 19) Before recommending any dividend, to set aside, out of the profits of the Company, such sums as it may think proper for depreciation or to a depreciation fund or to an insurance fund or as a reserve fund or sinking fund or any special fund to meet contingencies to repay debentures or for debenture-stock or for special dividends or for equalizing dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purposes referred to in the last two preceding clauses) as the Board of Directors, may in its absolute discretion think conducive to the interest of the Company and subject to Section 292 of the Act to invest the several sums so set aside or so much thereof as is required to be invested, upon such investments (other than shares of this Company) as it may think fit and from time to time deal with and vary such investments and dispose off and apply and expend all or any part thereof for the benefit of the Company, in such manner & for such purposes as the Board of Directors in its absolute discretion think conducive to the interest of the Company notwithstanding that the matters to which the Board of Directors applies or upon which it expends the same or any part thereof may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the general reserve fund into such special funds as the Board of Directors may think fit with full power to transfer the whole or any portion of a reserve fund or division of reserve fund to another reserve fund and with full power to employ the asset constituting all or any of the above funds including the depreciation fund in the business of the Company or in the purchase or repayment of debentures or debenture-stock and that without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the



Board of Directors at its discretion to pay or allow to the credit of such funds, interest at such rate as the Board of Directors may think proper.

- 20) To pay and charge to the capital account of the Company any commission or interest lawfully payable the out under the provisions of Sections 76 and 208 of the Act, and of the provision contained in these presents.
- 21) From time to time make, vary and repeal by-laws for regulation of the business of the Company, its officers and servants.
- 22) To redeem redeemable preference shares.
- 23) Subject to Section 294 and 297 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company to enter in to all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
- 24) To undertake any branch or kind of business which the company is expressly or by implication authorized to undertake at such time or times as it shall think fit and to keep in abeyance any such branch or kind of business even though it may have been actually commenced or not, so long as the Board may deem it expedient not to commence or proceed with such branch or kind of business.

## **MANAGING DIRECTORS**

### **160. Board may appoint Managing Director or Whole time Director**

Subject to the provisions of Sections 267, 268, 269, 309, 310, 311, 316, 317 and other applicable provisions, if any of the Act, the Board of Director may from time to time appoint one or more of their body to be Managing Director or Managing Directors or Whole-time Director or Whole-time Directors of the Company on a term not exceeding five years at a time for which he or they is or are to hold such office and may from time to time remove or dismiss him or them from office and appoint another or others in his or their place or places.

### **161. Remuneration of Managing Directors or whole time Director**

The remuneration of a Managing Director or whole time Director shall from time to time, be fixed by the Board and may be by way of salary or commission or participation in profits or by any or all of these modes or in any other form and shall be subject to the limitations prescribed in Sections 198 and 309 of the Act.

### **162. Directors may confer power on Managing Director**

Subject to the provisions of the Act and to the restrictions contained in these Articles, Board may from time to time entrust to and confer upon a Managing Director for the time being such of the powers exercisable by the Board under these Articles 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 expedient.

### **163. Managing Director not to exercise certain powers**

The Managing Director or Managing Directors shall not exercise the powers to:

- a) make calls on share holders in respect of money unpaid on the share of the Company.
- b) issue of debentures and
- c) except delegated by the Board under Section 292 of the Act, invest the funds of the Company or make loans or borrow moneys.

### **164. Certain persons not to be appointed as Managing Directors**

The Company shall not appoint or employ or continue the employment of any persons as its Managing Director or Whole-time Director who:

- a) is an undischarged, insolvent or has at time been adjudged an insolvent;
- b) suspends or has at any time suspended, payment to his creditors or makes or has at any time made composition with them; or
- c) is or has at any time being, convicted by a Court of an offence involving moral turpitude.

**164A.** Special to any contract between him and the Company, a Managing or Wholetime Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director

for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.

**164B. Prohibition of simultaneous appointment of different categories of managerial personnel**

The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel namely:-

- a) Managing Director and
- b) Manager.

## **MINUTES**

**169.**

- 1) The Company shall cause minutes of all proceedings of every General meeting and all proceedings of every meeting of its Board of /directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that, their pages consecutively numbered.
- 2) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed.
  - a) in the case of minutes of proceedings of a meeting of the Board or of a committee thereof, by the Chairman of the next succeeding meeting.
  - b) In the case of minutes of proceedings of a General Meeting, by the chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorized by the Board for the purpose.

**170.** Minutes of proceedings of every General Meeting and of the proceedings of every meeting of the Board kept in accordance with the provisions of Article 172 above, shall be evidence of the proceedings recorded therein.

**171.** Where minutes of the proceedings of every General Meeting of the Company or of any meeting of the Board or of a Committee of the Board have been kept in accordance with the provisions of article 173 above then, until the contrary is proved the meeting shall be deemed to have been duly called and held and all proceedings thereat to have duly taken place and in particular all appointments of Directors or liquidators made at the meeting shall be deemed to be Valid.

## **DIVIDENDS**

**173.** The profits of the Company which it shall from time to time determine, subject to the provisions of Section 205 of the Act, to divide in respect of any year or other period, shall be applied first in paying the fixed, preferential dividend on the capital paid up on the preference shares if any and secondly in paying a dividend declared for such year or other period on the capital paid upon the equity shares.

**173A. Division of profits**

(a) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if any so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares.

(b) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares.

**173B. Dividend to joint holders**

Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.

**174. Amounts paid in advance of calls not to be treated as paid up capital**

No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of Article 176 as paid up on the share.

**175. Apportionment of Dividends**

All dividends shall be apportioned and paid proportionate to the amounts paid or credited as paid on the shares, during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

**183. Retention in certain cases**

The Board may retain the dividends payable upon share in respect of which any person is under Article 76 entitled to become a member of which any person under that Article is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

**184. No member to receive interest or dividend whilst indebted to the Company and Company's right to reimbursement thereof**

No member shall be entitled to receive payment of an interest or dividend in respect of his own share or shares whilst any money may be due or owing from him to the Company in respect of such share or shares otherwise howsoever either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any shareholder all sums or money so due from him to the Company.

**185. Payment by post**

Any dividend payable in cash may be paid by cheque or warrant sent through the post directly to the registered address of the shareholder entitled to the payment of the dividend or in the case of joint shareholders to the registered address of that one whose name stands first on the Register of Members in respect of the joint shareholding or to such persons and to such address as the shareholders of the joint shareholders may in writing direct and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent and the Company shall not be responsible or liable for any cheque or warrant lost in transit or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant of the fraudulent recovery thereof by any other means. The Company may, if it thinks fit, call upon the shareholders when applying for dividends or bonus to produce their share certificates at the registered office or other place where the payment of dividend is to be made.

**186. Dividend to be paid within Thirty days**

The Company shall pay dividend or send the warrant in respect thereof to the shareholder entitled to the payment of the dividend within Thirty days from the date of the declaration of the dividend unless:

- (a) the dividend could not be paid by reason of the operation of any law or
- (b) a shareholder has given directions to the Company regarding the payment of dividend and these directions can not be complied with or
- (c) there is dispute, regarding the right to receive the dividend or
- (d) the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder or
- (e) for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

**187. Unpaid or Unclaimed Dividend**

Where the Company has declared a dividend but which has not been paid or claimed within 30 from the date of declaration to any shareholder entitled to the payment of dividend, the Company shall, within 7 days of the date from expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Channel Nine Entertainment Limited Unpaid Dividend Account" and transfer to the said account, the total amount of dividend which remains unpaid or unclaimed.

Any money transferred to the unpaid dividend account of the Company which remain unpaid or unclaimed for a period of Seven years from the date of such transfer, shall be transferred by the Company to the Fund established under Section 205C of the Act. No unclaimed or unpaid dividend shall be forfeited by the Board before the claim becomes barred by law.

**188. Capitalization of reserves**

(a) Any General Meeting may, upon the recommendation of the Board resolve that any moneys, investments or other assets forming part of the undistributed profits of the Company standing to the credit of any of the profit and loss account or any capital redemption reserve fund or in hands of the Company and available for dividend or

representing premium received on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund shall not be paid in cash but shall be applied subject to the provisions contained in clause (b) hereof on behalf of such shareholders in full or towards:

- 1) Paying either at par or at such premium as the resolution may provide any unissued shares or debentures or debenture-stock of the Company which shall be allotted, distributed and credited as fully paid up to and amongst such members in the proportions aforesaid; or
- 2) Paying up any amounts for the time being remaining unpaid on any shares or debentures or debenture-stock held by such members respectively; or
- 3) Paying up partly in the way specified in sub-clause (1) and partly in that specified in sub-clause (2) and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.

(b)

- 1) Any moneys, investments or other assets representing premium received on the issue of shares and standing to the credit of share premium account; and
- 2) If the Company shall have redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such shares may, by resolution of the Company be applied only in paying up in full or any shares then remaining unissued to be issued to such members of the Company as the General Meeting may resolve upto an amount equal to the nominal amount of the shares so issued.

(c) Any General Meeting may resolve that any surplus moneys arising from the realization of any capital assets of the Company or any investments representing the same or any other undistributed profits of the Company not subject to charge for income-tax be distributed amongst the members on the footing that they receive the same as capital.

(d) For the purpose of giving effect to any such resolution, the Board may settle any difficulty which may arise in regard to the distribution of payment as aforesaid as it thinks expedient and in particular it may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, share, debentures, debenture-stock, bonds or other obligation in trustees upon such trust for the persons entitled thereto as may seem expedient to the Board and generally may make such arrangement for acceptance, allotment and sale of such shares, debentures, debenture-stock, bonds or other obligations and fractional certificates or otherwise as it may think fit.

(e) If and whenever any share becomes held by any member in fraction, the Board may subject to the provisions of the Act and these Articles and to the directions of the Company in General Meeting, if any, sell the shares which members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion the net proceeds of the sale thereof, for the purpose of giving effect to any such sale, the Board may authorize any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or of invalidity in the proceedings with reference to the sale.

(f) Where required; a proper contract shall be delivered to the Registrar for registration in accordance with section 75 of the Companies Act and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund and such appointment shall be effective.

## SECTION IX: OTHER INFORMATION

### LIST OF MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and agreements referred to (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before this Draft Letter of Offer), which are or may be deemed to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred under material documents below all of which have been attached to the copy of this Draft Letter of Offer and have been delivered to the SME platform of BSE Limited and may be inspected at the Registered Office of the Company situated at 3/12, Ground Floor, Asaf Ali Road, Delhi - 110002 between 11:00 am to 5:30 pm on any working day from the date of this Draft Letter of Offer until the date of closure of the subscription List.

#### MATERIAL CONTRACTS

1. Memorandum of Understanding dated 8<sup>th</sup> September, 2014 between our Company and the Lead Manager to the Issue.
2. Memorandum of Understanding dated 11<sup>th</sup> June 2014 entered into with Beetal Financial & Computer Services Pvt. Limited to appointing them as the Registrar to the Issue.
3. Copy of tripartite agreement between NSDL, our Company and Beetal Financial & Computer Services Pvt. Limited.
4. Copy of tripartite agreement between CDSL, our Company and Beetal Financial & Computer Services Pvt. Limited.
5. Underwriting Agreement dated [•] between our Company and Underwriter.

#### DOCUMENTS FOR INSPECTION

6. Memorandum and Articles of Association of our Company as amended from time to time.
7. Copy of the resolution passed at the meeting of the Board of Directors held on 9<sup>th</sup> June 2014 approving the issue under section 62 (1) (a) of Companies Act, 2013.
8. Copy of members resolution dated 1<sup>st</sup> November, 2012 appointing Mr. Gajraj Singh as the Executive Director of our Company for a period of three years w.e.f. 1<sup>st</sup> November, 2012 and approving their remuneration and terms.
9. Consents of the Directors, Company Secretary/Compliance Officer, Auditors, Lead Manager to the Issue, Legal Advisors to the Issue, and Registrars to the Issue, to include their names in the Draft Letter of Offer to act in their respective capacities.
10. Copy of the Corporate Governance report for the half year ended 30<sup>th</sup> June, 2014 and shareholding pattern for the half year ended 31<sup>st</sup> March, 2014.
11. Prospectus dated 16<sup>th</sup> February, 2013 in respect of its initial Public Offerings.
12. Copies of Annual Reports of our Company since incorporation i.e. for the financial years viz 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14.
13. Audit report and restated financial information issued by Peer Review auditors i.e. M/s. Ramanand & Associates, Chartered Accountants, dated 30<sup>th</sup> May 2014 included in the Draft Letter of Offer.
14. Letter dated 11<sup>th</sup> June 2014 from the statutory Auditors of our Company, M/s. Ranjan Gupta & Co., Chartered Accountants, detailing the tax benefits.

15. Copy of certificate from the statutory Auditors of our Company, M/s. Ranjan Gupta & Co., Chartered Accountants, dated 11<sup>th</sup> September, 2014 regarding the sources and deployment of funds as on, 31<sup>st</sup> March, 2014.
16. Board Resolution dated 12<sup>th</sup> September, 2014 for approval of Draft Letter of Offer.
17. Due Diligence Certificate dated 12<sup>th</sup> September, 2014 to be submitted to SEBI from Lead Manager viz First Overseas Capital Limited along with the filing of the Draft Letter of Offer.
18. Copy of approval from BSE vide letter dated [●] to use the name of BSE in the Draft Letter of Offer for listing of additional Equity Shares on SME Platform of BSE.

Any of the contracts or documents mentioned in this Draft Letter of Offer 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 provisions contained in the Companies Act and other relevant statutes.

## **DECLARATION**

We hereby the Directors, and the Compliance Officer of the Company, certify that all relevant provisions of the Companies Act, 1956, Companies Act, 2013 (to the extent notified) and the guidelines issued by the GOI or the Regulations issued by Securities and Exchange Board of India, applicable, as the case may be, have been complied with and no statement made in this Draft Letter of Offer is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made or Regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Letter of Offer are true and correct.

### **SIGNED BY ALL THE DIRECTORS**

Mr Gajraj Singh  
(DIN: 02925387)

Mr Rajesh Kumar Ramjas Jaiswar  
(DIN: 06845321)

Mrs Neena Sood  
(DIN: 06395848)

Mrs Asha Rani  
(DIN: 6842453)

### **SIGNED BY THE COMPANY SECRETARY & COMPLIANCE OFFICER**

Mr. Bhagat Singh

**Date:** 12.09.2014  
**Place:** New Delhi