DRAFT RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
[•], 2005 (Draft Red Herring Prospectus will be updated upon RoC filing)
100% Book Building Issue

INOX LEISURE LIMITED

(Incorporated on November 9, 1999 under the Companies Act, 1956 as 'Inox Leisure Limited' and obtained its certificate of commencement of business on February 11, 2000)

Registered Office: ABS Towers, Old Padra Road, Vadodara- 390007, Gujarat
Corporate office: 21-A, Film Center, 2nd Floor, 68, Tardeo Road, Mumbai – 400034.
Tel: +91 22 5562 7051; Fax: +91 22 5662 7081; e-mail: investors@inox. co.in; Website: www.inoxmovies.com

PUBLIC ISSUE OF 16,500,000 EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [•] FOR CASH AGGREGATING RS. [•] MILLION (REFERRED TO AS THE "ISSUE"), BY INOX LEISURE LIMITED ("THE COMPANY" OR "ISSUER") CONSISTING OF A FRESH ISSUE OF 12,000,000 EQUITY SHARES OF RS. 10 EACH, OF WHICH 200,000 EQUITY SHARES OF RS. 10/- EACH ARE RESERVED FOR SUBSCRIPTION BY PERMANENT EMPLOYEES IN INDIA AND AN OFFER FOR SALE OF 4,500,000 EQUITY SHARES OF RS. 10 EACH BY GUJARART FLUOROCHEMICALS LIMITED ("GFL" OR THE "SELLING SHAREHOLDER") AND A NET ISSUE TO THE PUBLIC OF 16,300,000 EQUITY SHARES OF RS. 10/- EACH. THE ISSUE WILL CONSTITUTE 27.5% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY. NET ISSUE TO PUBLIC WILL CONSTITUTE 27.17% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY

PRICE BAND: RS. [•] TO RS. [•] PER EQUITY SHARE OF FACE VALUE RS. 10. ISSUE PRICE IS [•] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [•] TIMES AT THE HIGHER END OF THE PRICE BAND.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to Bombay Stock Exchange Limited ("BSE") and The National Stock Exchange of India Limited ("NSE"), by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager and the terminals of the Syndicate.
The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price. Further, not less than 15% of the Net Issue would be available for allocation to Non-Institutional Bidders and not less than 35% of the Net Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

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

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the section titled "Risk Factors" beginning on page 8 of this Draft Red Herring Prospectus.

COMPANY'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Issuer and the Selling Shareholder having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the Issuer and the Issue, which is material in the context of the issue, that the information contained in the offer document 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 make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

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

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
ENAM **Enam Financial Consultants Private Limited** 801, Dalamal Towers, Nariman Point Mumbai 400 021 Tel: +91 22 5638 1800 Fax: +91 22 2284 6824 Email: inox.ipo@enam.com Website: www.enam.com	KARVY Karvy Computershare Private Limited **Karvy Computershare Private Limited** Karvy House, 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034 Tel: + 91 40 2331 2454 / 2332 0751-53 Fax: +91 40 2331 1968/ 2332 3049 E-mail: inox.ipo@karvy.com Website: www.karvy.com

ISSUE PROGRAM

BID/ISSUE OPENS ON	•, 2005	BID/ISSUE CLOSES ON	•, 2005

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SECTION I: DEFINITIONS AND ABBREVIATIONS

Term	Description
"Inox", "Company", "our Company", "the Company", "we" or "us"	Unless the context otherwise requires, refers to, Inox Leisure Limited, a public limited company incorporated under the Companies Act, having its registered office at ABS Towers, Old Padra Road, Vadodara– 390007, Gujarat
Promoter	Gujarat Fluorochemicals Limited, having its registered office at Survey no 16/3, 26& 27, Ranjitnangar 389380, Taluka Goghamba, District Panchmahals, Gujarat.
Promoter Group	As defined in Explanation II of Clause 6.8.3.2 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof.

CONVENTIONAL / GENERAL TERMS

Term	Description
Articles/ Articles of Association	Articles of Association of our Company
Board of Directors/ Board	The Board of Directors of Inox Leisure Limited or a committee thereof unless otherwise specified
Contract Labour Act	Contract Labour (Regulation & Abolition) Act, 1970
Corporate Office	Corporate office of our Company situated at 21-A, Film Center, 2nd Floor, 68, Tardeo Road, Mumbai – 400034
Depositories Act	The Depositories Act, 1996, as amended from time to time
Directors	The directors of our Company, unless otherwise specified
Equity Shares	Equity shares of our Company of face value of Rs. 10 each, unless otherwise specified in the context thereof
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
Financial year/fiscal/FY	The twelve months ended March 31 of a particular year
I.T. Act	The Income Tax Act, 1961, as amended from time to time
I.T. Rules	The Income Tax Rules, 1962, as amended from time to time
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company
NI Act/ Negotiable Instruments Act	The Negotiable Instruments Act, 1881
Registered Office	ABS Towers, Old Parda Road, Vadodara– 390007, Gujarat
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI DIP Guidelines/SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time

Term	Description
Restated Financial Statements	Restated financial statements means the financial statements of our company on a stand alone basis. We do not have subsidiary companies and therefore there are no consolidated financial statements

ISSUE RELATED TERMS

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder
Allottee	The successful Bidder to whom the Equity Shares are/ have been issued or transferred
Banker(s) to the Issue / Escrow Collection Banks	[•]
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Gujarati newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of this Draft Red Herring Prospectus
Bid Opening Date/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Gujarati newspaper
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus
Bidding Period/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLM	Book Running Lead Manager to the Issue, in this case being Enam Financial Consultants Private Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Companies Act / The Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLM. Only Retail Individual Bidders are entitled to bid at Cut-off Price, for a Bid Amount not exceeding Rs. 100,000. Qualified Institutional Buyers and Non-Institutional Bidders are not entitled to bid at Cut-off Price
Designated Date	The date on which funds are transferred from the Escrow Account to the Public

Term	Description
	Issue Account after the Prospectus is filed with the Registrar of Companies, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	The National Stock Exchange of India Limited
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue
Employee/ Employees	All or any of the following are eligible for applying in Employee Reservation Portion: 1. a permanent employee of our Company 2. Director of our Company Explanation: For the purposes of this definition, employees who are on probation are deemed to be permanent employees of our Company, and hence eligible to Bid under the Employees Reservation Portion. Employees should be physically present in India on the date of submission of the Bid-cum-Application Form. Employees would be eligible to Bid under the Employee Reservation Portion if they are Employees (as per above definition) as on one day before Bid/Issue Opening Date.
Employees Reservation Portion	The portion of the Issue being a maximum of 200,000 Equity Shares available for allocation to Employees.
ESOP Guidelines/ ESPS Guidelines	The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time
ESOP Scheme/ Employee's Stock Option Scheme	The employee's stock option scheme (in accordance with the ESOP Guidelines) of our Company approved by the Board of Directors *vide* resolution passed on October 17, 2005 and the shareholders of our Company *vide* resolution passed on October 28, 2005
Enam	Enam Financial Consultants Private Limited
Enam Securities	Enam Securities Private Limited
Escrow Account/ Escrow Collection Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement	Agreement to be entered into amongst the Company, the Selling Shareholder, the Registrar, the Escrow Collection Bank(s) the BRLM and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Fresh Issue	The issue of 1,200,000 Equity Shares at the Issue Price pursuant to this Draft Red Herring Prospectus
Issue	Public issue of 16,500,000 Equity Shares of Rs. 10/- each at a price of Rs. [•] each for cash aggregating upto Rs. [•] million
IPO Committee	IPO Committee means a committee of the Board constituting of Mr. Pavan Jain, Mr. Vivek Jain and Mr. Deepak Asher.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in

Term	Description
	consultation with the BRLM on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Members of the Syndicate	Enam and Enam Securities
Mutual Funds Portion	That portion of the Issue, being 5% of the QIB portion or 407,500 Equity Shares (assuming that the QIB portion is 50% of the Net Issue) available for allocation on a proportionate basis to Mutual Funds only
Net Issue to Public/ Net Offer to Public/ Net Issue	The Issue less the allocation to the Employees under the Employees Reservation Portion aggregating to 16,300,000 Equity Shares
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non Institutional Portion	The portion of the Issue being not less than 2,445,000 Equity Shares available for allocation to Non Institutional Bidders
Offer for Sale	The offer for sale by the Selling Shareholder of 4,500,000 Equity Shares at the Issue Price pursuant to the Draft Red Herring Prospectus.
Pay-in Date	The last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose payment has not been waived by the Syndicate and are therefore required to pay the maximum Bid Amount into the Escrow Account, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose payment has been initially waived by the Syndicate and are therefore not required to pay the Bid Amount into the Escrow Account on or prior to the Bid/Issue Closing Date, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price (floor of the price band) of Rs. [•] and the maximum price (cap of the price band) of Rs. [•] and includes revisions thereof
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price
Promoter	Gujarat Fluorochemicals Limited
Prospectus	The Prospectus to be filed with the RoC in accordance with the provisions of section 60 of the Companies Act containing, *inter alia*, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds (subject to applicable laws) with minimum corpus of Rs. 250 million
QIB Portion	The portion of the Issue being not more than 8,150,000 Equity Shares available for allocation to QIBs

Term	Description
Red Herring Prospectus	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Offer. The Red Herring Prospectus will be filed with the RoC at least three days before the opening of the Issue and will become a Prospectus after filing with the RoC after the pricing and allocation
Registrar to the Issue/Registrar	Registrar to the Issue, in this case being Karvy Computershare Private Limited having its registered office as indicated on the cover page of this Draft Red Herring Prospectus
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 100,000 in any of the bidding options in the Issue
Retail Portion/Retail Individual Portion	The portion of the Issue being not less than 5,705,000 Equity Shares available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
Selling Shareholder	Gujarat Fluorochemicals Limited
Statutory Auditors/ Auditors	Statutory auditors of our Company being M/s. Patankar & Associates, Chartered Accountants for Indian GAAP
Stock Exchanges	BSE and NSE
Syndicate	The BRLM and the Syndicate Members
Syndicate Agreement	Agreement dated [•], entered into among our Company, the Selling Shareholder, the BRLM and the other members of the Syndicate, in relation to collection of Bids in the Issue
Syndicate Members	Enam Securities
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	Enam and Enam Securities
Underwriting Agreement	The Agreement dated [•],between the Underwriters, the Selling Shareholder and us to be entered into on the Pricing Date

INDUSTRY/ COMPANY RELATED TERMS

Term	Description
Bangalore Multiplex	Our Multiplex Cinema situated at 5th Floor, Euoamer's Garuda Mall, Opp. Shopper's Stop, Magarath Road, Bangalore – 560025
Vadodara Multiplex	Our Multiplex Cinema situated at Race Course Circle, Opp. Indraparastha, Ellora Park, Vadodara – 390007, Gujarat
CII	Confederation of Indian Industry
DVD	Digital Video Disc
Elgin Road, Kolkata Multiplex	Our Multiplex Cinema situated at 4th, 5th and 6th Floor, Forum, 10/3, Lala Lajpat Rai Sarani (formerly known as Elgin Road), Kolkata – 700020
Goa Multiplex	Our Multiplex Cinema situated at Old GMC Complex, D. B. Bhandarkar Road, Panaji, Goa – 403001
Jaipur Multiplex	Our Multiplex Cinema situated at Plot No. C-1, C-Block, Amrapali Circle, Vaishali Nagar, Jaipur – 302 021.
Multiplex/Cinema/Theatres/ Multiplex Cinemas/ Multiplex Cinema Theatres	Multiplex cinema means a multi-screen cinema complex showing different films under one roof usually with other types of supporting businesses in the vicinity like restaurants, shopping arcade and other entertainment avenues
MP3	A compressed audio format
Mumbai Multiplex	Our Multiplex Cinema situated at CR2, 2nd floor, Opp. Bajaj Bhavan, Nariman Point, Mumbai – 400021
Operating Units	Bangalore Multiplex, Vadodara Multiplex, Elgin Road, Kolkata Multiplex, Goa Multiplex, Mumbai Multiplex, Pune Multiplex, Salt Lake, Kolkata Multiplex and Jaipur Multiplex
Pune Multiplex	Our Multiplex Cinema situated at Plot No. D, Near Hotel Central Park, Bund Garden Road, Pune – 411001
Salt Lake, Kolkata Multiplex	Our Multiplex Cinema situated at Block DC Sector, 1-City Center, Salt Lake, Kolkata – 700064
VCD	Video Compact Disc

ABBREVIATIONS

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BIFR	Board for Industrial and Financial Reconstruction
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
COO	Chief Operating Officer
CEO	Chief Executive Officer
CFC	Chloro Fluoro Carbons
DGFT	Director General of Foreign Trade
EBIDTA	Earning Before Interest, Depreciation, Tax and Amortization
EGM	Extra-ordinary General Meeting
EPCG	Export Promotion Capital Goods Scheme
EPS	Earnings per Equity Share
FCNR Account	Foreign Currency Non Resident Account
FII/ Foreign Institutional Investor	Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FVCI	Foreign venture capital investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GIR Number	General Index Registry Number
GoI	Government of India
HR	Human Resources
HRD	Human Resource Development
HUF	Hindu Undivided Family

Term	Description
HVAC	Heating and Ventilation Air Conditioner
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offer
IRR	Internal rate of return
IT	Information Technology
L/C / LoC	Letter of Credit
LoI/ LoIs	Letter of Intent/ Letters of Intent
MIDC	Maharashtra Industrial Development Corporation
MoU	Memorandum of Understanding
NAV	Net Asset Value
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRE Account	Non Resident External Account
NRI/ Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB / Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trust in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this issue.
PAN	Permanent Account Number
P/E Ratio	Price Earning Ratio
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
RBI	Reserve Bank of India
RoC	Registrar of Companies, Gujarat at Ahmedabad
RONW	Return on Net Worth
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
VCF	Venture Capital Funds registered with SEBI under SEBI (Venture Capital Funds) Regulations, 1996, as amended from time to time

SECTION II: RISK FACTORS

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and SEBI DIP Guidelines, beginning on page 145 in this Draft Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. Property areas (in square feet) have been rounded off to the nearest thousand square feet. References to Baroda and Vadodara refer to the same city.

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "million" or "Million" or "mn" refer to one million which is equivalent to "ten lakhs" or "ten lacs".

The various sources/reports that have been referred to and used for the purposes of this Draft Red Herring Prospectus are:

1. CII-KPMG Report, 2004;
2. CII-KPMG Report, 2005;
3. FICCI and E & Y Report, 2004;
4. FICCI-PwC Report, 2005;
5. BW Marketing Whitebook – 2005;
6. Yes Bank Report – May 2005;
7. Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

For additional definitions, please refer to the section titled "Definitions and Abbreviations" on page 1 of this Draft Red Herring Prospectus.

Market and industry data used throughout this Draft Red Herring Prospectus has been obtained from publications available in the public domain and internal Company reports. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by our Company to be reliable, have not been verified by any independent source.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements can generally be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- our ability to successfully implement our strategy and our growth and expansion plans, technological changes;
- increasing competition in and the conditions of the global and Indian film exhibition industry and other forms of entertainment;
- changes in the laws and regulations that apply to the Indian film exhibition and distribution sectors;
- performance of film, entertainment and retail industries in India and general economic conditions in India;
- changes in the political conditions;
- changes in the value of the Rupee and other currencies;
- the monetary and interest policies of India, inflation, deflation, equity prices or other rates or prices;
- the popularity of the films we exhibit;
- our ability to acquire films on competitive terms;
- obsolesce of film projection technologies; and
- the occurrence of natural disasters or calamities affecting the areas in which we have operations.

For further discussion of factors that could cause our actual results to differ, please refer to the sub-section titled "Risk Factors" beginning on page 8 of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, we and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in equity shares involves a degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares and the value of your investment could decline.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.

INTERNAL RISK FACTORS

Our Company is involved in the following legal proceedings.

A classification of the legal proceedings (including show cause and summons notices) instituted by and against our Company and the monetary amount involved in these cases is given in the following table:

Type of legal proceeding	Total number of pending cases/ show cause notices/ summons	Remarks and amount involved(Rs.)
Civil cases	1	Rs. 500,000/- plus interest @ 12% per annum from date of filing of suit till actual realization of amount, being amount claimed against our Company.
Income Tax	1	Rs. 109,571/- Amount of demand pursuant to addition of assessed income for assessment year 2002-2003.
Entertainment tax/Advertisement tax	8	Rs. 178,565,561/- on account of various disputes relating to entertainment tax/advertisement tax. Two show cause notices issued, one for our Mumbai Multiplex and one for Vadodara Multiplex, for which amounts not quantifiable.
Customs	1	One summons issued to our Company by Commissioner of Customs (Import) in relation to import of equipment.
Property tax	3	(i) Rs. 987,564/-, being cumulative amount involved in two cases in relation to assessment disputed at our Vadodara Multiplex. (ii) Rs. 56,197,831/-, being amount of disputed property tax demand raised for our Mumbai Multiplex.
Arbitration	1	Rs. 24,209,819/- plus interest @ 15% per annum from July 16, 2004 in relation to claim filed by Shapoorji Pallonji & Co Ltd.
Writ Petition	1	One writ petition filed in Calcutta High Court, where we are named as respondent no. 6, challenging grant of certain licenses/certificates to our Elgin Road, Kolkata Multiplex.
Entry tax	1	Rs. 4,738,485/- in relation to show cause notice issued for Bangalore Multiplex.

In addition to the aforesaid, our Company has also become a party to three writ petitions filed in the Bombay High Court, being writ petitions Nos. 1680 of 2003, 2442 of 2003 and 2279 of 2003. These writ petitions challenges the legality and constitutionality of certain provisions of the Bombay Entertainments Act.

For more information regarding litigation, please refer to the section titled "Outstanding Litigations and Defaults" beginning on page 192 the Draft Red Herring Prospectus.

Our Promoter, GFL is involved in the following legal proceedings
A classification of the legal proceedings (including show cause and summons notices) instituted by and against GFL and the monetary amount involved in these cases is given in the following table:

Type of legal proceeding	Total number of pending cases/show cause notices/summons	Remarks and amount involved (Rs.)
Civil cases	2	(i) Rs.1,128,000/- plus interest and damages claimed by GFL against M.S. Refrigeration Company (ii) Rs. 679,334/- with interest @ 18% p.a. being the amount claimed by United Insurance Company Ltd from Lirin Roadlines Private Limited and GFL
Criminal cases	3	(i) Two cases involving an amount of Rs. 690,000/- filed by GFL under section 406 of the Indian Penal Code and section 138 of the Negotiable Instruments Act; (ii)Case under section 630 of the Companies Act for recovery of Maruti 800 belonging to GFL allegedly in possession of ex-employee of GFL.
Labour cases	9	2 writ petitions filed in the Gujarat High Court challenging the reinstatement without back wages of Mr. Dilip Patel and Mr. Mukesh Patel. Rs. 1,964,624 being the amount of back wages liability as on March 31, 2005 in 7 cases pending before Labour Court, Godhra
Income Tax Cases	8	Except for an amount of Rs. 1,019,150/-, being amount involved in respect of income tax demand for assessment year 1997-1998, amounts involved, wherever quantifiable, for all other cases have been paid by GFL/ adjusted against refund due by the income tax department to GFL; (ii) Assessment year 1992-93 – writ petition before Gujarat High Court claiming interest on excess tax payment of Rs. 1,026,868/- and further interest on amount of interest granted by Court; (iii) Assessment year 2000-01 - writ petition

		before Gujarat High Court challenging notice under section 148 of the Income Tax Act re-opening assessment; (iv) Assessment year 2001-2002 – appeal against denial of interest under Section 244A of the Income Tax Act of Rs. 1,943,222/- to GFL
Writ petition for seizure of kerosene and diesel	1	1 writ petition filed in Gujarat High Court challenging the seizure of kerosene valued at Rs. 72,306/- and diesel valued at Rs.141,514/- totaling to Rs. 213,820/-.
Motor Accident Claims	4	Rs.1,100,000/- plus interest on account of four motor accident claims. Interim relief has been granted to plaintiffs against GFL and other co-defendants in 2 cases. In one case, pursuant to interim relief granted, Rs. 27,900/- has been deposited by GFL with MACT, Baroda.
Customs	1	Rs.2,066,568/- on account of import of high speed diesel. Amount has been paid under protest.
Industrial disputes	1	Industrial dispute pending before Industrial Court, Vadodara.
Notice under Prevention of Cruelty to Animals Act	1	Notice for admission of complaint filed against Mr. V.K. Jain, the Managing Director of GFL and Personnel Manager of GFL for admission of complaint in respect of alleged offence under section 11(1)(l) of Prevention of Cruelty to Animals Act

For further details, please refer to the section titled "Outstanding Litigations and Defaults" beginning on page 192 of this Draft Red Herring Prospectus

Contingent liability as on September 30, 2005

As per our Restated Financial Statements, we have certain contingent liabilities which, if determined against us in future, may impact our financial position adversely. Details of our contingent liabilities as on September 30, 2005 are given in the following table:

(Rs. in million)

Brief Particulars	**As at September 30, 2005**
Claims against Company*	15.34
Bank Guarantee for performance on contractual Obligations	12.15
Muncipal Tax Demand*	52.51
Total Contingent Liabilities	80.00

* For further details please refer the chapter on 'Outstanding Litigation' beginning on page 192 of this Draft Red Herring Prospectus.

Registration applications for some of our trademarks are pending with the relevant trademark authorities.

Applications for the registration of various logos, used by us in the course of our business, namely "Inox – Live the Movie", "Refuel", "Chatpataz" and "InoxO2", under various classes, have been submitted to the relevant trademark authorities in the name of our Company as on the date of this Draft Red Herring Prospectus. Out of these, two logos namely "Inox – Live the Movie" and "Refuel" have been registered as trademarks in the name of our Company, in respect of some of the classes as specified under the Trademarks Act, 1999. Applications for the registration of these logos, for some other classes, and applications for the registration of the rest of the logos for all the classes applied for, and are still pending with the respective authorities. Any non-registration or delay in the registration of these trademarks may affect us adversely. Our success with our brands/labels depends, in part on our ability to protect and defend our intellectual property rights relating to such trademarks/labels. If we are not able to sufficiently protect our intellectual property, our competitors may produce, and sell products under trademarks/labels similar to our trademarks/labels, which may adversely affect the equity of our trademarks. For further details please refer to the section titled "Intellectual property" of the chapter on "Our Business" on page no 85 of the Draft Red Herring Prospectus.

We have to renew or maintain statutory and regulatory permits and licenses as required to operate our business and any delay or inability to obtain the same may have an adverse effect on our business.

We require certain statutory and regulatory permits and licenses to operate our business. Some of these approvals are granted for fixed periods of time and need renewal from time to time. Following approvals have expired and the same have been applied for renewals by us:

Pune Multiplex

- *Vide* letter dated December 23, 2004 to the Commissioner of Police, Pune, we have applied for permission to theatre selling tickets with use of computer for two of our screens.

Kolkata Multiplexes

- *Vide* letter dated April 14, 2005 to the Finance department, Government of West Bengal, we have applied for benefit of availing of entertainment tax subsidy for Salt Lake, Kolkata Multiplex.

- *Vide* letter dated October 27, 2005 to Commissioner of Police, Kolkata, we have applied for food license for our Elgin Road Multiplex

- *Vide* letter dated August 30, 2005 to the Commercial Tax Officer, West Bengal, we have applied for VAT registration.

Vadodara Multiplex

- *Vide* letter dated November 8, 2003 to the Commissioner of Tourism, Government o0f Gujarat, we have applied for final eligibility certificate for claiming entertainment tax exemption.

Goa Multiplex

- *Vide* letter dated August 8, 2005 to the Directorate of Food & Drugs Administrative, Panaji, we have applied for food license.

- *Vide* letter dated October 7, 2005 to the Indian Performance Rights Society Limited, we have applied for public performance license.

Bangalore Multiplex

- *Vide* letter dated June 18, 2005 to the Commercial Tax department, Karnataka, we have applied for VAT registration.

Jaipur Multiplex

- *Vide* letter dated October 27, 2005 to the District Magistrate, Jaipur, we have applied for transfer of the cinema license dated March 27, 2002 bearing number 4/jpr/permanent cinema/2002 from Vaibhav Cine Multiplex Private Limited to our Company.

- Further, *vide* letter dated March 07, 2005 the transferor of the Jaipur Multiplex, being Vaibhav Cine Multiplex Private Limited, has applied for renewal of the said cinema license dated March 27, 2002 bearing number 4/jpr/permanent cinema/2002, for which the application for transfer to us (as aforesaid) is pending. The validity of this license expired on March 31, 2005.

We have been informed by the transferor of the Jaipur Multiplex that they have not filed the application for exemption from entertainment tax. Further, we intend to make the application for exemption from entertainment tax for our Jaipur Multiplex on receipt of approval for transfer of the cinema license for the Jaipur Multiplex to our Company.

There are certain non-compliances and belated filings by us and our Promoter

We were not compliant with certain requirements of the Companies Act as regards appointment of Manager and Company Secretary, which we are currently complying with. For details, kindly refer section titled "Our Management" beginning on page 126 of this Draft Red Herring Prospectus.

Our Promoter, GFL, has belatedly filed certain prescribed returns under the SEBI Takeover Regulations. For further details, please refer to the section tiled "Our Promoter" beginning on page 137 of this Draft Red Herring Prospectus.

We face risks associated with the implementation of new Multiplexes.

In addition to our existing cinema screens, we are in the process of establishing several new Multiplexes including those stated in the 'Objects of the Issue' of this Draft Red Herring Prospectus. We face risks in developing new Multiplexes, including the following:

- The budgeted resources for implementation of the new projects may be inadequate and we may incur cost overruns, which could adversely affect our financial position and our results of operations;
- We may incur significant capital expenditure in new technologies of exhibition including digital projection technologies. These may result in cost overruns, which could adversely affect our financial position and our results of operations
- Delays in the scheduled implementation of the proposed projects for any reason, including construction delays, delays in receipt of government approvals or delays in delivery of equipment by suppliers, could adversely affect our financial position;
- Except in certain cases, we have not entered into definitive agreements or placed orders for the construction or for purchase of machinery and equipment required to operate our proposed Multiplexes. There can be no assurance that we will be able to conclude such definitive agreements on terms acceptable to us, or if at all.
- Our new Multiplexes may not achieve the requisite levels of patronage projected by us at the project evaluation stage, which could adversely affect our results of operations and financial condition.

In addition, if we are unable to manage the growth we achieve from our new cinemas, our results of operations, financial conditions and the implementation of our business strategy may be adversely affected.

Our Promoter does not have any prior experience in this line of business.

Our Promoter, GFL is engaged in the business of fluorochemicals, and its main product is hydrochlorofluorocarbons. Prior to promoting our Company, our Promoter has not promoted any other company/entity with an experience in the Multiplex/entertainment industry.

We may not be able to sustain effective implementation of our business and growth strategy.

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Whilst we have generally been successful in execution of our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget in the future. If we are unable to implement our business and growth strategy, this may have an adverse effect on our business, financial condition and results of operations.

The withdrawal of or refusal to grant entertainment tax incentives or the grant of entertainment tax incentives on commercially unviable terms for our existing and proposed Multiplex Cinemas would have a material adverse effect on our results of operations and financial position.

One of the considerations influencing our decision to open certain new Multiplexes is the availability of entertainment tax holidays and incentives announced by various state governments. For details of the entertainment tax exemptions available in the states where we operate, please see the section titled "Regulations and Policies" beginning on page 115 of the Draft Red Herring Prospectus.

Entertainment tax rates vary from state to state and are as high as 50% in some of the territories where we currently operate. The withdrawal of the announced tax holidays and incentives or the refusal by relevant authorities to grant entertainment tax exemptions for our existing or proposed Multiplex Cinemas may have an adverse effect on our results of operations and financial condition and may also affect our decision to proceed with the new Multiplex Cinemas, thus hampering our expansion plans.

For our Goa Multiplex and Salt Lake, Kolkata Multiplex, we are in the process of obtaining state government approvals for the entertainment tax exemption and pending these approvals, we are paying entertainment tax in respect of these properties. For our Vadodara Multiplex we have received a provisional approval for a portion of the entertainment tax exemption and are awaiting the final approval. In the event we fail to obtain these approval(s), we may not be able to avail of the entertainment tax exemptions.

Further, in respect of the new multiplex cinemas, if the terms of the entertainment tax exemption regulations are not favorable to us we may not choose to avail of these exemptions, which may affect our business and results of operations.

Further, in most States where we currently operate, in order to avail of the entertainment tax exemption we are required to comply with conditions as specified in the state regulations. . In the event we fail to comply with such conditions, we may lose the exemptions and may be required to return the amount of entertainment tax exemption availed of by us, together with interest.

Schemes/ Legislations pursuant to which, entertainment tax exemption granted and availed by us for our Mumbai Multiplex and Gujarat Multiplex are subject to litigation.

We are currently availing the benefits of entertainment tax exemption for our Mumbai Multiplex and Pune Multiplex pursuant to the amendments to the Bombay Entertainments Duty Act, 1923 ("**Said Amendments**") and for our Vadodara Multiplex pursuant to the **"New Package Scheme of Incentives for Tourism Projects 1995-2000**" ("**Said Policy**"). The constitutionality and validity of the Said Amendments and of the Said Policy have been challenged by way of petitions before the Bombay High Court and the Gujarat High Court respectively. If either or both of the Said Amendments or the Said Policy are not upheld, then we may not be able to enjoy the entertainment tax exemptions currently enjoyed by us in Maharashtra and/or Gujarat, as the case may be. Further, subject to the order of the concerned Courts, we may be directed to pay to the concerned state government the amount of entertainment tax exemption availed by us pursuant to the Said Amendments/ Said Policy. For further details, please refer to section titled "Outstanding Litigations and Defaults" beginning on page 192 of this Draft Red Herring Prospectus.

We do not own the name "Inox".

The name "Inox" forms a part of our corporate name. We have also registered/applied for registration of trademarks which includes the brand name "Inox". Although we do not own the name "Inox", we have been permitted to use the same pursuant to an informal arrangement with its owners, namely the Jain family.

We may not be able to acquire certain properties for setting up of Multiplexes.

On identification of properties for setting up of Multiplex (es), we sign a LoI with the concerned developer / owner for purchasing, leasing of the said properties or otherwise acquiring rights to manage or operate a multiplex on the said property, within a pre-specified time. This Letter of Intent specifies the broad terms and conditions of the intended transaction. Based on our prior experience, not all of these LoIs are converted into actual transactions, and therefore, despite signing a LoI, we may not be able to acquire the identified properties. This may have an adverse effect on our expansion plans and subsequently may affect our business and results of operations.

One of our Promoter Group companies has incurred losses.

One of our Promoter Group companies is Inox Global Services Limited ("**IGSL**"). IGSL incurred losses in fiscal 2003 amounting to Rs. 111.86 million. Further, as on March 31, 2005 IGSL's accumulated losses stood at Rs. 91.79 million. IGSL has delayed repayments to its preference shareholders. For details, please refer section titled "Our Promoter" beginning on page 137 and section titled "Outstanding Litigations and Defaults" beginning on page 192 of this Draft Red Herring Prospectus.

Two of our Multiplexes are currently enjoying a 50% exemption from income-tax, which is due to expire shortly

Two of our Multiplexes, namely Pune Multiplex and Vadodara Multiplex, are currently enjoying exemption from income-tax under section 80(IB) of the I.T. Act, to the extent of fifty percent of profits derived from the said Multiplexes for a period of five years. The details of the exemption are as follows:

S. No.	Property	First year from which benefit available (financial year)	Year upto which benefit available (financial year)	Period of benefit
1.	Pune Multiplex	2002-2003	2006-2007	5 years
2.	Vadodara Multiplex	2002-2003	2006-2007	5 years

The aforesaid income-tax benefit that we are currently entitled to, would not be available to us after the expiry of the said period.

We may be exposed to claims for infringement of intellectual property rights of third parties.

While we take all possible care to ensure that necessary consents are obtained from third parties for acquiring intellectual property rights relevant for exhibition of films and undertaking promotions thereof, and try and protect ourselves contractually with the content providers, we may be exposed to infringement claims by such third parties, which if determined against us, may impact our revenues.

Cost of exhibition of a film varies across films and cinemas. Further, film rights are granted to us for a specified period only. If we are unable to obtain films, or obtain them on competitive terms our results of operations may be adversely affected.

The distributors share in granting us hire rights, normally being a percentage of ticket receipts, to exhibit a film is subject to negotiations between us and the distributors. There exists competition between exhibitors to acquire films, and competitive pressures may result in increasing the cost at which we acquire the rights to exhibit films. If we are unable to recover such increased costs through increased revenue generation, our results of operations may be adversely affected.

Further, most of the film rights, including theatrical exhibition rights, procured by us are limited to a specific period and may not be available to us on a continuous basis. We may also not be able to acquire rights to certain titles which we may want to exhibit. According to the exhibitor agreements entered by us with the distributors, our exhibitor rights are subject to the distributor having on going contract / agreement with film producers.

A reduction in our key revenue drivers or increase in costs not commensure with increased revenues could have an adverse affect on our results of operations

Our key revenue drivers are patron footfalls and patron spends (comprising mainly of box office revenues and food and beverage revenues). During the six months ended September 30, 2005, we had Rs.372.68 million and Rs. 88.12 million in box office revenues and food and beverage revenues respectively. This constituted 74.16% and 17.54 % respectively of the total income during the same period**.** Any reduction in our key revenue drivers may have an adverse effect on our business and result of operations.

Similarly, our major costs include operative and administrative expenses (including salaries), film distributor's share and interest and financial charges. During the six months ended September 30, 2005, we incurred cost of Rs. 143.47 million, Rs. 113.22 million and Rs. 37.93 million on account of operative and administrative expenses (including salaries), Film distributor's share and interest and financial charges respectively. This constituted approximately 40%, 31% and 10% respectively of the total costs during the same period**.** Any increase in any of these major cost heads, or any substantial increase in any other cost (whether anticipated or unanticipated) may have an adverse effect on our business and result of operations.

We rely on our IT systems and any failures in these systems could adversely impact our operations

We rely on our IT systems to provide us connectivity across our business functions through our software, hardware and network systems. While we have provided necessary back-up systems where appropriate, any failure in our IT systems or loss of connectivity or any loss of data arising from such failure can impact us adversely.

We do not own many of our immovable properties.

We do not own the immovable properties in respect of our Multiplexes, except our Pune Multiplex and, Vadodara Multiplex. For our Mumbai Multiplex and Jaipur Multiplex, we own the Multiplex structure, but the land is on long-term lease to the developer/vendor. Contractual arrangements for our Mumbai Multiplex and Salt Lake, Kolkata Multiplex, albeit legally valid, are awaiting execution of final agreements to perfect our respective titles to own and/or operate the Multiplexes. In respect of the other operating units, we obtain the right to operate or manage our Multiplexes through various contractual arrangements, which we execute with the developer / owner of the concerned real estate. Some of these contractual arrangements contain provisions permitting termination of these arrangements on account of non-compliance with their terms and failure to cure such non-compliance within specified time frames, by us.

Our Goa Multiplex is being operated by us for a short period of fifteen months pursuant to a temporary arrangement with the Government of Goa. The said fifteen month period expires on February 28, 2006. We cannot assure that we will be able to operate the Goa Multiplex beyond that period.

We have obtained some of our properties from the entities, who themselves do not own the said real estate and the same have been acquired by them through certain contractual arrangements (mainly in the nature of long-term leases) at their end. Breach of any covenants specified in their contractual arrangements either by them or by us may lead to termination of our arrangement with the said entities.

Further, our Registered Office and Corporate Office are also not owned by us. Our Promoter has permitted us to use, a part of its corporate office as our Registered Office without consideration. However, we do not have any written agreement/document regarding the same. Our Corporate Office is occupied by us pursuant to a leave and license agreement dated April 30, 2004 for a period of 24 months commencing from June 2, 2004 and expiring on June 01, 2006. We also occupy a godown pursuant to a leave and license agreement dated July 10, 2005 which is valid till June 10, 2006. These agreements for our Corporate Office and godown remain to be adequately stamped**.**

For further details, please refer to section titled "Our Business" beginning on page 85 of this Draft Red Herring Prospectus.

We may not be sufficiently protected for certain losses that we may incur or claims that we may face against us.

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions and/or insurance policies, the indemnities set forth in our contracts and/ or our insurance policies may not be enforceable in all instances or the the limitations of liability may not protect us from entire liability for damages. A successful assertion of one or more large claims against us could adversely affect the results of our operations. For further details regarding insurance policies availed by us, please refer to section titled "Our Business" beginning on page 85 of this Draft Red Herring Prospectus.

Our business is seasonal and our results of operations fluctuate from quarter-to-quarter.

Historically, our business has been seasonal, and our financial performance has fluctuated from quarter to quarter. As a result of this, our quarter-on-quarter (and consequently our half year-on-half year) results may not be an accurate or meaningful indicator of our future quarterly performance.

We have recently entered the distribution business

We have for the first time entered into the film distribution business in a limited manner. We do not have prior experience in this business. Success of the distribution business depends on the purchase price of the film, and the commercial success of the films distributed. In cases where a film is distributed on a minimum guarantee basis, we may incur a loss, if the said film is not a box office success. There is no guarantee that the box office performance will be commensurate with the price paid. For further details the section titled "Our Business" beginning on page 85 of this Draft Red Herring Prospectus.

Our success depends to a considerable extent upon our key managerial personnel and our ability to retain them.

We depend significantly on the expertise, experience and continued efforts of our key managerial personnel. Our future performance may be affected by any disruptions in the continued service of these persons. We have implemented an ESOP scheme, in order to retain our key managerial resources. However, the loss of one or more members of our key managerial personnel may impact our ability to maintain and grow our revenues.

Our employees may unionise in future.

As on date, our employees are not represented by any labour union. However, our employees may unionise in future. In that case, there may be restrictions on the flexibility of our labour policies.

Some of our employees are on probation and can resign on short notice.

We have grown rapidly in the past couple of years. Consequently, a portion of our employees, having joined recently, are on probation and hence can resign on 24 hours notice. The total percentage of employees on probation as on September 30, 2005 is around 38% of the total employee strength.

We have not obtained certain licenses/ approvals for our proposed cinemas.

We require statutory and regulatory permits / licenses in order for us to operate our business. At present we have not applied for any of these licenses since we are at the acquisition stage of our proposed Multiplexes and we propose to obtain the same at the appropriate stage in future. While we believe we will be able to obtain such permits or approvals at such times as may be required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time frames anticipated by us. Any failure to obtain the required permits or approvals may result in the interruption of our operations or impede our expansion plans.

The objects of the Issue have not been appraised by any bank or financial institution.

The deployment of funds as stated in the section titled "Objects of the Issue" beginning on page 46 is entirely at our discretion and is not subject to monitoring by any independent agency. All the figures included under the "Objects of the Issue" are based on our own estimates. There has been no independent appraisal of the projects.

Our Company has issued Equity Shares in the last twelve months

Our Company has issued 2,500,000 Equity Shares to two of our Directors on October 17, 2005 at a price of Rs. 15/- per Equity Share, which may be less than the Issue Price. Further, our Company has issued 500,000 Equity Shares at a price of Rs. 15/- per Equity Share on October 28, 2005 to Inox Leisure Limited – Employee's Welfare Trust (trustee being Mr. Pavan Jain, Director of our Company) pursuant to the ESOP Scheme adopted by us. For details of Equity Shares issued, please see the section titled "Capital Structure" beginning on Page 39 of this Draft Red Herring Prospectus. The price at which the Equity Shares are being issued in the last twelve months is not indicative of the price which may be offered in this Issue.

The issue of ESOPs pursuant to our proposed Employee Stock Option Scheme will result in a reduction in our income and may adversely impact our net income.

We have implemented an Employee Stock Option Scheme ("ESOP"), in which employees of our Company would be entitled to participate, subject to eligibility conditions. Subject to the price at which options, if any, are granted to the employees pursuant to the ESOP, we may have to book a notional loss in our books of accounts, according to ESOS Guidelines.

Upon completion of the Issue, our Promoter may continue to retain significant control in our Company, which will allow it to influence the outcome of matters submitted to shareholders for approval

Upon completion of this Issue, our Promoter will continue to own 66% of our Equity Shares on a fully diluted basis. As a result, our Promoter will have the ability to exercise significant influence over all matters requiring shareholder's approval, including the election of directors and approval of significant corporate transactions. Our Promoter will also be in a position to influence any shareholder action or approval requiring a majority vote, except where it is required by applicable laws to abstain from voting. Such a concentration of ownership may also have the effect of delaying, preventing or deterring a change in control.

Any future issuance of Equity Shares by us or sale of our Equity Shares by our Promoter may impact the market price of our Equity Shares.

Any further issuance of substantial amounts of our Equity Shares by us or sale of our Equity Shares by our Promoter may affect the market price of our Equity Shares and could impact our ability to raise capital through an offering of our securities. In addition any perception by investors that such issuances or sales might occur could also affect the market price of our Equity Shares.

As per the loan agreements entered into by us with our lenders, there are certain restrictions on us, which may hamper our future business growth.

Certain covenants in our term loan agreements require us to obtain approval/ permission from the financial institutions. These covenants include, amongst others, formulation of any scheme of amalgamation or reconstruction, undertaking of guarantee obligation, make any substantial change in our management set up, any change in our capital structure, etc. For further details please refer to section titled "Capital Structure" beginning from page 39 of this Draft Red Herring Prospectus.

We face competition from other players in the industry and if we are not able to compete effectively, our business, results of operations and financial condition may be adversely affected.

We may face competition from other players in the Indian film exhibition sector on account of various factors including financial strengths, technological expertise, locational advantages, pricing, etc. In the future, we may also face competition from global entertainment companies if and when such companies make a foray into the Indian exhibition sector. In addition, we face competition from other forms of entertainment including, television, film DVDs, internet, multimedia messaging, theatre and advances in technology related to entertainment. These other forms of entertainment compete with cinemas for the discretionary spending of patrons and for the ad-spend of advertisers. Accordingly, we cannot be certain that we will not lose some of our cinema audiences to these competitors or lose advertising revenue to them. If we are not able to compete effectively, our business, results of operations and financial condition could be adversely affected.

Our business is dependent on the popularity of the films we exhibit.

Our ability to attract patrons to our cinemas is dependent amongst other factors, on the popularity of the films we display on our screens. From time to time, the film industry fails to produce successful films or film with widespread audience appeal. If the films we exhibit are not popular, the number of our patrons will decline, which would adversely affect our business and results of operations.

There is no standard valuation methodology in the film exhibition industry.

Since corporatisation of film exhibition industry is a recent phenomenon, there is no standard valuation methodology for the film exhibition business. Valuations in the film exhibition industry may not be sustained in future and therefore may also not be reflective of future valuations for the industry. Further, since there are limited numbers of listed companies in the film exhibition industry, current valuations of other listed companies may not be comparable with our Company.

Piracy may reduce the number of cinema patrons.

On account of inadequate enforcement of anti-piracy laws in India, the number of cinema patrons may reduce in the future, which may have a material adverse effect on our revenues and our results of operations.

EXTERNAL RISK FACTORS

There may be changes in the regulatory framework that could adversely affect us.

The statutory and regulatory framework including for the Indian film exhibition sector may face legislative changes in future. The State and Central governments regulates our industry through various regulations and policies, some being generic and others being specific to the film exhibition industry. These regulations and policies have an important impact on our ability to operate cinemas and the viability of our cinemas in different states. Changes in these regulations may have an adverse effect on our business.

We may face a temporary or permanent loss of equipment/systems due to disruption in basic infrastructure

Our equipments, systems and day-to-day operations are significantly dependent on uninterrupted availability of basic infrastructural facilities including electricity, telecommunications, water, etc. Although we maintain a back-up to deal with certain exigencies like loss of electricity supply, such back-up would be effective for a finite period of time. Any disruption in basic infrastructural facilities, including factors beyond our control, may lead to a temporary of permanent loss in our equipments or systems.

Force majeure events, terrorist attacks and other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our business, results of operations, financial conditions and cash flows.

Certain Force Majeure events, being beyond our control, including natural disasters, terrorist attacks and other acts of violence or war which may involve India, or other countries, may adversely affect worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. More generally, any of these events could lower confidence in India. Any such event could adversely affect our financial performance or the market price of the Equity Shares.

We may be subject to economic, regulatory, political and military uncertainties in India and other countries.

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the Government of India has pursued policies of economic liberalisation, and has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy. We cannot assure you that the liberalization policies will continue. Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and our business in particular. Our financial performance and the market price of the Equity Shares may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government of India policies (including taxation policies), social stability or other political, economic or diplomatic developments affecting India in the future.

After this Issue, the price of the equity shares may be volatile, or an active trading market for the equity shares may not develop.

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; our Company's results of operations and performance; reports of market analysts; performance of our Company's competitors, the Indian film exhibitor sector, and the perception in the market about investments in the film exhibitor sector; adverse media reports on our Company or the Indian film distributor and exhibitor sector; changes in the estimates of our Company's performance or recommendations by financial analysts; significant developments in India's economic liberalization and deregulation policies; and significant developments in India's fiscal and environmental regulations.

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

NOTES TO RISK FACTORS

- This is a public issue of 16,500,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] million, consisting of Fresh Issue of 12,000,000 Equity Shares of Rs. 10/- each, and an Offer for Sale of 4,500,000 Equity Shares of Rs. 10/- each. The Issue will constitute 27.5% of the fully diluted post-Issue paid up capital of our Company.

- The net worth of our Company (after excluding share application money) before the Issue was Rs. 554.09 million as on March 31, 2005 and Rs. 652.31 million as on September 30, 2005.

- Net Asset Value of Equity Shares of our Company as on March 31, 2005 was Rs. 12.31/- and as on September 30, 2005 was Rs. 14.50/- per Share.

- Average cost of acquisition of Equity Shares by our Promoter is Rs. 8.27/- per Equity Share.

- Our Company has issued and allotted 2,500,000 Equity Shares to two of our Directors on October 17, 2005 at a price of Rs. 15/- per Equity Share. For details, refer to section titled "Capital Structure" beginning on page 39 of this Draft Red Herring Prospectus.

- Our Company has issued and allotted 500,000 Equity Shares on October 28, 2005 to "Inox Leisure Limited – Employee's Welfare Trust" (trustee being Mr. Pavan Jain, Director of our Company) pursuant to the ESOP Scheme adopted at the Extraordinary General Meeting held on October 28, 2005 at a price of Rs. 15/- per Equity Share. For details, refer to section titled "Capital Structure" beginning on page 39 of this Draft Red Herring Prospectus.

- Refer to the notes to our financial statements relating to related party transactions in the section titled "Restated Financial Statements -- Related Party Transactions" on page 171 of this Draft Red Herring Prospectus.

- Investors are advised to refer to the section titled "Basis for Issue Price" on page 53 of this Draft Red Herring Prospectus.

- Trading in Equity Shares of our Company for all the investors shall be in dematerialised form only.

- Any clarification or information relating to the Issue shall be made available by the BRLM 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. Investors may contact the BRLM and the Syndicate Members for any complaints pertaining to the Issue.

Investors should note that in case of oversubscription in the Issue, Allotment will be made on a proportionate basis to Qualified Institutional Bidders, Retail Individual Bidders, Non Institutional Bidders and to Bidders under the Employees Reservation Portion. For details, please refer to the paragraph titled "Basis of Allocation" beginning on page 255 of this Draft Red Herring Prospectus.

SECTION III: INTRODUCTION

SUMMARY

Industry overview

The Indian film industry is the largest film industry in the world in terms of the number of films produced and admissions each year. *(Source: Indian Entertainment Industry Focus 2010: Dreams to Reality, Confederation of Indian Industry - KPMG, 2005 ("CII - KPMG Report, 2005").*

In India, Movies have always been a very important source of entertainment. Movies directly contributed Rs. 4,500 crores out of the Rs. 19,200 crores entertainment business in India in 2003 *(Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004);*

The Indian film industry revenue for 2004 was estimated at Rs. 59 billion (US$1.3 billion), which was less than 1% of global film industry revenue and a fraction of the U.S. film industry revenue, which was US$9.49 billion in 2003. *(Source: CII - KPMG Report, 2005)*

The Indian film industry currently realizes almost 70% of its total revenues (around 80% of legitimate revenues) from domestic and overseas box office sales compared with the U.S. film industry, which earns only 35% of its revenue from box office sales and the remaining 65% of revenue is derived from other revenue sources such as sales of DVDs and VHS tapes and the sale of cable and satellite television rights. *(Source: CII - KPMG Report, 2005.)*

India is one of the few markets globally where U.S. produced films (Hollywood) have not been able to dominate. Hollywood films only have a 4% market share in India, arguably the lowest amongst all other film exporting countries. *(Source: CII - KPMG Report, 2005.)*

A combination of highly fragmented ownership, high entertainment tax rates, large cost of setting up new theaters, and unavailability of organized funding has resulted in many such theaters not being able to continuously upgrade or renovate their facilities, thus resulting in a decline in the quality of such theaters. This has been detrimental to the entire Film Industry, as viewers started staying away from theaters and started using alternative viewing options including video and cable TV.

Over the last 5-7 years, factors such as strong economic growth, falling interest rates, increased interest in real estate development, increased consumption levels, etc. have resulted in a large boom in the Organized Retail sector in India. A number of large organized retail outlets have been trying to attract large footfalls by building in attractive properties such as branded food and apparel outlets as well as theater chains. In fact, movie theaters – especially the new format multiplexes which provide high quality viewing experience – are fast emerging as one of the key drivers of footfalls in a number of organized retail outlets, resulting in a renewed interest in investment in and growth of the movie exhibition business in India.

The film industry comprises three industry sectors:

- Movie production, which involves the making of movies;
- Movie distribution, which involves the distribution of movies to cinemas, television and video stores; and
- Movie exhibition, which involves the exhibiting of movies in cinemas.

Film exhibition is key interface between the Film Audience and the Movie content. World over, the box office collections (i.e. ticket sales by Movie Exhibitors) continue to be the prime barometer for the commercial success or failure of a movie.
Exhibition centers in India range from the open air to air-conditioned cinema halls and multiplexes. There are only around 12,900 active screens spread over the country. *(Source: CII-KPMG Report, 2005.)*

With around 12,900 active screens (down from 13,000 in 1990) out of which over 95% are standalone single screens, India’s screen density is very low as depicted below. India’s screens density is very low.

With many more avenues available to the urban youth it is important to create an enhanced theatre viewing experience. *(Source: CII-KPMG Report, 2005.)*
Till about 2001, the film exhibition sector mostly comprised single screen theatres with large capacities ranging from 500-1500 seats. Since 2002, film exhibition business in India has grown tremendously on the back of entertainment tax exemptions announced by select State governments on construction of new multiplexes.

The world over, the multiplex format has been a huge success, and most countries have seen a significant increase in patrons and revenues, in what has got to be known as "the multiplex boom".

The key growth opportunities for multiplexes are as follows:

- Highly fragmented industry
- Growing corporatization:
- Alternate sources of content
- Easier availability of capital
- Quality of assets
- Spending on movies
- Increase in Number of High Grade Hindi Films
- Digital Cinema Technology

The key drivers for a multiplex business are:

- Geographic positioning (location)
- Quality of assets
- Better Occupancy:
- Greater number of shows:
- Better exploitation of a Film:
- Better Cost Management:
- Operating efficiencies
- Regulation

Over the next 18-24 months, six of the largest multiplex operators in India mentioned earlier are likely to commercialize approximately 200-240 screens spread across 50- 60 new multiplexes. These multiplexes will have a cumulative seating capacity in excess of 55000-60000. Furthermore, there will also be an increase in number of multiplexes operated by smaller players, who constituted 66% of total multiplexes as of March 2005. It is estimated that number of operating multiplexes in India will increase by 80-100% by end of 2006. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

By the end of 2006, 135+ multiplexes will house more than 160,000 seats spread across 500+ screens. These multiplexes will have significant direct positive impact on the business economics of film production, financing, distribution and exhibition and indirectly on other ancillary markets. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

Business Overview

We are a primarily film exhibition company set up to carry out the business of setting up, operating and managing a chain of multiplexes which offer a world class viewing experience to the consumer.

We were incorporated on November 9, 1999 and became a subsidiary of Gujarat Fluorochemicals Limited (GFL) on March 31, 2000, as part of growth and diversification strategy of GFL. We believe that GFL is India's largest manufacturer and exporter of refrigerants.

We were set up to carry out the business of setting up, operating and managing a national chain of world class multiplexes under the brand name 'INOX'.

We opened our first multiplex, the Pune Multiplex in May 10, 2002 and have today a wide presence across 7 cities namely Pune, Vadodara, Kolkata, Goa, Mumbai, Bangalore and Jaipur with 8

Operational Units having 32 screens and 9,290 seats as tabulated below. Our current Operating Units are a mix of owned/leased models where we have the advantage of high return on investment and fast pay back period. Our long term plan is to acquire future properties on long-term leases, but we are open to consider acquisition of properties / assets, if that would be the right strategic choice.

As on	October 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003
No. of screens	32	25	12	8
No. of seats	9290	7,400	3,649	2,634
No. of Operational units	8	6	3	2

As part of our expansion plans we have identified one property each at Hyderabad, Chennai, Lucknow, Vishakapatnam, Raipur, Kolkata, Darjeeling, 2 in Bangalore and 2 in Jaipur. For further details please refer to the section "Objects of the Issue" beginning on page 46 of the Draft Red Herring Prospectus. In addition to the above three more properties have been identified at Indore, Kharagpur, and Bangalore.

Further we have entered into an alliance with Pantaloon Group of Companies ("Pantaloon Group"), by way of two Memoranda of Understanding with Pantaloon Retail India Limited and PFH Investment Advisory Company Limited (MoUs). The broad objective of this alliance:

1. for Pantaloon it makes available a high quality multiplex operator for all properties it is associated with; and
2. for us is that it provides preferential access to all real estate developments that Pantaloon is associated with through any of its group companies/ funds managed by it on competitive terms.

In terms of the said MoUs, in respectof all properties being developed by the Pantaloon Group, Inox shall be entitled to participate in negogiations for acquisition of the property (in case of third party acquuisitions), Pantaloon Group shall take Inox's input on the key parameters on the layout and design on the multiplex component in that development, and shall offer the said multiplex area to Inox on preferential basis.

Our mission is to create India's largest network of world class multiplex cinema theatres across all the leading towns and cities of India and also be a leader in the Indian film exhibition industry, in terms of physical parameters like number of screens operational and quality of viewing experience, as well as financial parameters like revenues and profitability.

All our multiplex properties are, and would be, located in premium locations in the respective town / city. They would symbolise excellence in design, ambience, features, safety and service. These would be fitted with state-of-the-art equipment, providing a superior cinema viewing experience comparable with the best cinemas across the world. These projects, being located in malls, would also feature other facilities such as restaurants, shopping and entertainment activities.

The major contributor to our total revenues is ticket sales and the SPH, which are dependent on the number of patrons.

The break-up for the various revenue streams for the half year ended September 30, 2005 and year on year is as under:

(Rs. in million)

	Half year ended September 30, 2005	Year ended March 31, 2005	Year ended March 31, 2004
Ticket Revenues	372.68	438.5	211.04
Food & Beverages Revenues	88.12	104.68	54.55
Advertising Income	18.32	25.16	8.80
Management Fees	0	12.25	0.60
Parking Charges	3.68	6.24	5.29
Conducting Fees	19.73	27.95	19.47

Total	**502.53**	**614.82**	**299.75**

Our rapid expansion has helped us achieve a total income which has grown from Rs. 163 million in FY 2003 to Rs 310 million in FY 2004 to Rs. 626 million in FY 2005. For the half year ended September 30, 2005 our total income was Rs. 508 million.

Our net profit for the same period has grown from a small beginning of Rs. 0.51 million in FY 2003 to Rs. 34.95 million in FY 2004 to Rs. 72.24 million in FY 2005. For the half year ended September 30, 2005 our total income was Rs. 97.32 million.

While consolidating our position in the exhibition business we have also made an entry in the film distribution business. We intend to examine the nuances of the distribution business, including possible synergies with our exhibition business, to see if there is a scope for value enhancement through distribution.

OUR COMPETITIVE ADVANTAGE

Research backed investment
We carry out in-depth research comprising of population segments, income patterns, spending habits, preferences and alternatives of consumers, as well as regulatory framework before selecting the cities where we wish to set up a multiplex.

The first mover advantage
Presently, the players in the multiplex industry are largely regional. We would be amongst the few players to conceptualise and implement a business plan of establishing a national chain of world class multiplexes.

Location
Location is as critical as content for the success of a multiplex business. While selection of right content helps in reaching out to the right target, selection of right location results in attracting higher footfalls. All our multiplexes would be located in high traffic commercial business districts or in the midst of affluent residential areas of each town / city of operation, which would provide us with a competitive advantage.

Economies of being a national chain
Controlling a chain of multiplexes across the country, gives us an edge over local competition in accessing content – both in terms of quality of content as well as terms of agreement between the content provider and the exhibitor, as well as provided us with some economies of scale due to better negotiating leverage and sharing of come common costs.

Brand creation
We have created brand equity through all our multiplexes, after their launch. Further, we are increasingly being recognised in the industry as a committed long term player. All our projects represent quality benchmarks in the industry.
Reputed Promoter
We are promoted by GFL, which has experience in manufacturing and exports of refrigerants . GFL has an excellent reputation and track record with banks, financial institutions and investors and is known to conform to transparent corporate governance practices.

Work with the best
We have identified and used the best talent in the industry, from concept architects, interior designers, project management companies, engineering consultants, etc., as also the best equipment available internationally, to put together state-of-the-art multiplexes.

Proven project management skills
We have an in-house professional team for project implementation supported by Feedback Strategic Consultancy Services Private Limited. This model of implementing projects has enabled us to complete properties within budgets and time.

Marketing strength

We believe, the brand ‘INOX’ has been established in the consumers mind due to marketing through newspaper ads, radio spots, direct mailers, internet mailers and the use of promotions like paid previews, contests, movies merchandise, Disc Jockey in the lobby over the weekend etc. Premieres of films are also used as an important marketing tool.

Customer Orientation
'INOX' has built a clear focus on customer orientation, by providing services such as, tele-bookings, home delivery of tickets, internet and SMS bookings.

Integrated Technology Backbone
We have a laid a lot of emphasis on a technology and systems. We have a strong MIS system, on the backbone of a technically sturdy software system, which provide us with regularly updated performance reports on all our Operating Units. This assists us in our day to day operations. We use software for the following:

We have installed specialized management exhibition software called Showbizz Multiplex at all our Operating Units. We were the first client for this software product and have contributed in designing and developing of this product. This software is evolving to be an industry standard and is being implemented at other multiplexes across India.

We have invested in IT Infrastructure to connect all our Units with Corporate Office. This has been key factor in streamlining our operations across our Operating Units in 7 cities. This has also benefited us in a more real time MIS system, effective decision making and quick solution of issues leading to better controls of various units.

Our value proposition can be summed up as:

- Strong brand name
- Pan India presence
- Impressive growth and track record

THE ISSUE

Equity Shares offered	
Fresh Issue	12,000,000 Equity Shares, constituting 20% of the fully diluted post Issue paid-up capital of our Company
Offer for Sale by the Selling Shareholder	4,500,000 Equity Shares, constituting 7.5% of the fully diluted post Issue paid-up capital of our Company
Total	16,500,000 Equity Shares
Of which:	
Employees Reservation Portion (out of Fresh Issue)	200,000 Equity Shares
Net Issue to Public	16,300,000 Equity Shares
Of which:	
a) Qualified Institutional Buyers Portion	Upto 8,150,000 Equity Shares constituting up to 50% of the Net Issue to the Public (Allocation on a proportionate basis) of which 5% of the QIB portion or 407,500 Equity Shares (assuming that the QIB portion is 50% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only ("**Mutual Funds Portion**") and 7,742,500 Equity Shares (assuming the QIB portion is 50% of the Net Issue) shall be available for allocation to all QIB's, including Mutual Funds. (Allocation on a proportionate basis)
b) Non Institutional Bidders Portion	2,445,000 Equity Shares constituting at least 15% of the Net Issue to the Public (Allocation on a proportionate basis)
c) Retail Individual Bidders Portion	5,705,000 Equity Shares constituting at least 35% of the Net Issue to the Public (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	48,000,000 Equity Shares
Equity Shares outstanding after the Issue	60,000,000 Equity Shares
Objects of the Issue	Please see the section titled "Objects of the Issue" on page 46 of this Draft Red Herring Prospectus.

Note:
Under-subscription, if any, in any of the three categories will be allowed to be met with spill over from the other categories, at the sole discretion of our Company and the BRLMs.

Under-subscription, if any, in reservation for Mutual fund will be allowed to be met by the balance of QIBs.

SELECTED FINANCIAL DATA OF OUR COMPANY

The following table sets forth summary financial data derived from our restated financial statements as of and for the six month ended period ended September 30, 2005 and the fiscal years ended March 31, 2001, 2002, 2003, 2004 and 2005 prepared in accordance with Indian GAAP and SEBI Guidelines and as described in the Statutory Auditor's report dated October 28, 2005 included in the section titled Financial Statements (Restated) beginning on page 145 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and notes thereto.

Summary Statement of Assets and Liabilities, as restated

(Rs. In million)

	As at September 30, 2005	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**	**As at March 31, 2001**
Fixed assets						
Gross block	1,667.23	1,524.67	832.29	751.02	175.79	93.26
Less: Accumulated depreciation	93.52	69.92	35.55	13.85	0.37	0.05
Net block	1,573.71	1,454.75	796.74	737.17	175.42	93.21
Capital Work in Progress, Capital Advances & Pre-Operative Expenditure pending allocation	8.45	48.42	496.69	112.92	310.15	67.94
Total	**1,582.16**	**1,503.17**	**1,293.43**	**850.09**	**485.57**	**161.15**
Investments	67.00	5.00	5.00	-	9.65	-
Current assets, loans and advances						
Interest Accrued	1.16	0.86	0.49	0.18	0.14	4.28
Inventories	4.24	3.45	1.45	1.12	-	-
Sundry Debtors	30.33	18.37	6.89	3.67	-	-
Cash and Bank balances	12.73	15.70	30.41	91.01	14.79	5.69
Loans and Advances	288.40	230.64	101.25	48.92	59.66	112.68
Total	**336.86**	**269.02**	**140.49**	**144.90**	**74.59**	**122.65**
Liabilities and Provisions						
Secured Loans	484.55	566.16	505.65	358.75	195.54	-
Unsecured Loans	551.46	401.46	339.73	100.00	-	-
Deferred Tax Liability	79.52	66.27	19.00	1.23	-	-
Current Liabilities	168.41	147.63	57.49	66.57	33.93	9.83
Provisions	13.57	5.38	1.82	0.97	0.37	-
Total	**1,297.51**	**1,186.90**	**923.69**	**527.52**	**229.84**	**9.83**
Net worth	**688.51**	**590.29**	**515.23**	**467.47**	**339.97**	**273.97**
Represented by:						
Equity share capital	450.00	450.00	450.00	450.00	342.00	250.00
Share application	36.20	36.20	36.20	26.20	-	26.00

money						
Reserves and surplus:						
Profit and loss account	205.02	107.70	35.46	0.51	-	-
	691.22	593.90	521.66	476.71	342.00	276.00
Less: Miscellaneous Expenditure	2.71	3.61	6.43	9.24	2.03	2.03
Net worth	688.51	590.29	515.23	467.47	339.97	273.97

Summary Statement of Profit and Losses, as restated

(Rs. In million)

	For half year ended September 30, 2005	For FY ended March 31, 2005	For FY ended March 31, 2004	For FY ended March 31, 2003
Income				
Sales & Services	**502.53**	**614.82**	**299.75**	**160.48**
Other Income	5.55	11.56	10.52	3.01
Refund of Entertainment Tax	-	11.30	-	-
Total Income	**508.08**	**637.68**	**310.27**	**163.49**
Expenditure				
Entertainment Tax	15.82	20.57	11.44	4.42
Film Distributors Share	113.22	130.40	58.77	26.22
Cost of Food and Beverages	27.69	34.74	17.62	8.49
Operating and Administrative Expenses	143.47	222.73	113.56	75.37
Interest & Financial Charges	37.93	53.66	41.21	33.25
Depreciation	23.63	34.62	21.50	13.42
Total Expenditure	361.76	496.72	264.10	161.17
Net Profit before tax	146.32	140.96	46.17	2.32
Current Tax	34.50	11.50	3.60	0.20
Deferred Tax	13.24	47.27	17.77	1.23
Fringe Benefit Tax	1.35	-	-	-
Prior Period Taxation	-	0.11	(0.02)	-
Net Profit	97.23	82.08	24.82	0.89
Adjustments - Increase/(decrease) in profits (Refer Annexure 4)				
Sales & Services			(0.08)	0.08
Refund of Entertainment Tax		(11.30)	11.30	
Distributors Share	0.13	0.25	(0.25)	(0.13)
Operating and other Expenses		0.16	0.20	(0.36)
Depreciation		0.20	(0.20)	
Total Impact of adjustment	0.13	(10.69)	10.97	(0.41)
Tax Adjustments	(0.04)	0.85	(0.84)	0.03
Net Profit, as restated	**97.32**	**72.24**	**34.95**	**0.51**
Profit and loss account, beginning of the year/period	107.70	35.46	0.51	-
Balance carried forward, as restated	205.02	107.70	35.46	0.51
Summary of restated figures				
Net Profit before tax	146.45	130.27	57.14	1.91
Current tax & Deferred tax	47.78	57.92	22.21	1.40
Fringe Benefit tax & Prior period taxation	1.35	0.11	(0.02)	-

Profit after tax	97.32	72.24	34.95	0.51

GENERAL INFORMATION

REGISTERED OFFICE
Inox Leisure Limited
ABS Towers,
Old Padra Road,
Vadodara– 390007,
Gujarat
Phone: +91 265 2330 057
Fax: +91 265 2310 312
Email:investors@inox.co.in

CORPORATE OFFICE
21-A, Film Center,
2nd Floor,
68, Tardeo Road,
Mumbai – 400034.
Phone: +91 22 5662 7051
Fax: +91 22 5662 7081
Email: investors@inox.co.in

ADDRESS OF ROC
We have registered with the Registrar of Companies, Ahmedabad, Gujarat bearing company registration number U92199GJ2004PLC44045. The address of the RoC is as under:

The Registrar of Companies,
ROC Bhavan, Opp Rupal Park,
Near Ankur Bus Stand, Naranpura,
Ahmedabad - 380 013.

BOARD OF DIRECTORS

Our Board of Directors currently comprises of the following persons:

Name	Designation
Mr. Pavan Jain	Director
Mr. Vivek Jain	Director
Mr. Deepak Asher	Director
Mr. Sundeep Bedi	Director
Mr. Siddharth Jain	Director
Mr Vimal Mittal	Director

For more details on our Directors, please refer to the sub-section titled "Our Management" on page 126 of this Draft Red Herring Prospectus.

COMPANY SECRETARY AND COMPLIANCE OFFICER
Mr. Rajesh D. Parte
21-A, Film Center,
2nd Floor,
68, Tardeo Road,
Mumbai – 400034.
Phone: 91 22 56627051
Fax: 91 22 56627081
Email: investors@inox. co.in

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems, such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary accounts or refund orders etc.

ISSUE MANAGEMENT TEAM

BOOK RUNNING LEAD MANAGER

Enam Financial Consultants Private Limited
801, Dalamal Towers,
Nariman Point
Mumbai 400 021
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
Contact Person: Ms. Shilpa Jhaveri
Email: inox.ipo@enam.com
Website: www.enam.com

LEGAL ADVISORS TO THE ISSUE

M/s. Crawford Bayley & Co.
Advocates, Solicitors & Notaries
State Bank Buildings, 4th Floor
N.G.N. Vaidya Marg, Fort
Mumbai 400 023
Tel: +91 22 2266 3713
Fax: + 91 22 2266 0355/0986
Email: sanjay.asher@crawfordbayley.com

SYNDICATE MEMBER

Enam Securities Private Limited
801, Dalamal Towers,
Nariman Point, Mumbai 400 021
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
Contact Person: Mr. M. Natarajan
Email: inox.ipo@enam.com
Website: www.enam.com

REGISTRAR TO THE ISSUE

Karvy Computershare Private Limited
Karvy House, 21, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034
Tel: + 91 40 2331 2454 / 2332 0751-53
Fax: +91 40 2331 1968/ 2332 3049
E-mail: inox.ipo@karvy.com
Website: www.karvy.com

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

[•]

BANKERS TO THE COMPANY

UTI Bank Limited
Monolith Building,
7, Napean Sea Road,
Mumbai – 400036.
Phone: 91 22 23698825
Fax: 91 22 23698829
Email: napeansea.admin@utibank.co.in

Canara Bank
Mittal Tower, 'C' Wing,
Nariman Point,
Mumbai – 400021
Phone: 91 22 22835118
Fax: 91 22 22045876
Email: fcmnp@canarabank.co.in

United Bank of India
Anand Darshan,
13, Peddar Road,
Mumbai – 400026
Phone: 91 22 23522097
Fax: 91 22 23525312
Email: bmpdr@unitedbank.co.in

STATUTORY AUDITORS TO THE COMPANY

Patankar & Associates
Chartered Accountants
"Ameya", 4 Anandbag Co-operative Housing Society,
999, Navi Peth, Pune – 411030
Phone: +91 020 24327177/ 24327178
Fax: +91 020 24327177/ 24327178
Email: patassoc@vsnl.com

INTER SE ALLOCATION OF RESPONSIBILITIES OF THE BRLM

Since Enam is the sole BRLM for this Issue, all the Issue related activities are handled by Enam.

CREDIT RATING

As this is an issue of Equity Shares there is no credit rating for this Issue.

TRUSTEES

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

MONITORING AGENCY

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee of our Company will monitor the use of the proceeds of the Issue.

WITHDRAWAL OF THE ISSUE

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date without assigning any reason therefore.

BOOK BUILDING PROCESS

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

1. The Company.
2. The Book Running Lead Manager; and
3. The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange (s) and eligible to act as underwriters. The BRLM appoints the Syndicate Members.

The SEBI Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein not more than 50 % of the Net Issue shall be allocated on a discretionary basis to QIBs, including upto 5% of the QIB portion that shall be available for Allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB portion shall be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds. Further, not less than 15% of the Net Issue shall be available for allotment on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI DIP Guidelines for this Issue. In this regard, we have appointed the BRLM to procure subscriptions to the Issue.

QIB are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. For further details please refer the section titled "Terms of the Issue" on page no. 231 of the Draft Red Herring Prospectus.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI DIP Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please refer to the section entitled "Terms of the Issue" on page 231 of this Draft Red Herring Prospectus for more details.

Steps to be taken by the Bidders for bidding:

- Check whether he/she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

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

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

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 21 in the above example. The issuer, in consultation with the BRLM will finalise the issue price at or below such cut off price i.e. at or below Rs. 21. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

The process of Book Building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue. Pursuant to the recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after Bid/ Issue Closing Date.

UNDERWRITING AGREEMENT

After the determination of the Issue Price and prior to filing of the Prospectus with the RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with

the RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
Enam Financial Consultants Private Limited 801, Dalamal Towers, Nariman Point, Mumbai 400 021 Tel: +91 22 5638 1800 Fax: +91 22 2284 6824 Contact Person: Ms. Shilpa Jhaveri Email: inox.ipo@enam.com Website: www.enam.com	[•]	[•]
Enam Securities Private Limited 801, Dalamal Towers, Nariman Point, Mumbai 400 021 Tel: +91 22 5638 1800 Fax: +91 22 2284 6824 Contact Person: Mr. M. Natarajan Email: inox.ipo@enam.com Website: www.enam.com	[•]	[•]

The above Underwriting Agreement is dated [•].

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

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

CAPITAL STRUCTURE

Financial data presented in this Section is derived from our Restated Financial Statements prepared in accordance with Indian GAAP.

Share capital as at the date of filing of the Draft Red Herring Prospectus with SEBI is set forth below.

			Nominal Value (Rs.)	Aggregate Value (Rs.)
A.	**Authorised Capital***			
	75,000,000	Equity Shares of Rs. 10 each	750,000,000	
B.	**Issued, Subscribed and Paid-Up Capital before the Issue**			
	48,000,000	Equity Shares of Rs. 10 each	480,000,000	
C.	**Public Issue in terms of this Draft Red Herring Prospectus**			
	Fresh Issue of :			
	12,000,000	Equity Shares of Rs. 10 each	120,000,000	[•]
	Of which:			
	200,000	Reservation for Employees of Equity Shares of Rs. 10 each	2,000,000	[•]
	Offer for Sale of:			
	4,500,000	Equity Shares of Rs. 10 each	45,000,000	[•]
D.	**Net Issue to the Public in terms of this Draft Red Herring Prospectus**			
	Fresh Issue			
	11,800,000	Equity Shares of Rs. 10 each	118,000,000	[•]
	Offer for Sale			
	4,500,000	Equity Shares of Rs. 10 each	45,000,000	[•]
E.	**Post Issue paid up Equity Share Capital**			
	60,000,000	Equity Shares of Rs. 10 each	600,000,000	[•]
F.	**Share Premium Account**			
	Before the Issue		15,000,000	[•]
	After the Issue		[•]	[•]

* Our Authorised Capital was increased from Rs. 250 million divided into 25,000,000 Equity Shares of Rs. 10 each to Rs. 500 million divided into 50,000,000 Equity Shares of Rs. 10 each vide shareholders' resolution dated March 27, 2001. Further, our Authorised Capital was increased from Rs. 500 million divided into 50,000,000 Equity Shares of Rs. 10 each to Rs. 750 million divided into 75,000,000 Equity Shares of Rs. 10/- each *vide* shareholders' resolution dated July 11, 2003.

Our current authorised capital is sufficient to meet the requirements of the Issue.

NOTES TO THE CAPITAL STRUCTURE

1. Share Capital History of our Company:

Date of allotment	Number of Equity Shares	Cumulative number of Equity shares	Face Value per Equity Share (Rs.)	Issue Price per Equity Share	Share Premium	Nature of payment of Consideration	Particulars	Cumulative Share Premium (Rs.)
November 9, 1999	700	700	10	10	NIL	Cash	Subscription to the Memorandum	NIL
March 31, 2000	7,750,000	7,750,700	10	10	NIL	Cash	Issue of Shares to GFL	NIL
January 12, 2001	1,3250,000	21,000,700	10	10	NIL	Cash	Issue of Shares to GFL	NIL
March 13, 2001	3,999,300	25,000,000	10	10	NIL	Cash	Issue to Shares to GFL	NIL
March 27, 2002	9,200,000	34,200,000	10	10	NIL	Cash	Issue of Shares to GFL	NIL
March 31, 2003	10,800,000	45,000,000	10	10	NIL	Cash	Issue of Shares to GFL	NIL
October 17, 2005	2,500,000	47,500,000	10	15	5	Cash	Preferential allotment to two Directors of our Company	12,500,000
October 28, 2005	500,000	48,000,000	10	15	5	Cash	ESOP Scheme*	15,000,000

[#] Allotment of 1,250,000 Equity Shares of Rs. 10/- each at a premium of Rs. 5/- each issued to Mr. Pavan Jain and 1,250,000 Equity Shares of Rs. 10 each at a premium of Rs. 5/- each issued to Mr. Vivek Jain.
* Allotment of 500,000 Equity Shares of Rs. 10/- each at a premium of Rs. 5/- each to Mr. Pavan Jain as trustee for the "Inox Leisure Limited – Employees Welfare Trust", being the beneficial owner. Declarations under Section 187-C of the Companies Act has been received by our Company, and has been consequently been filed with the Registrar of Companies.

2. **Promoter's Contribution and Lock-in**:

In terms of SEBI Guidelines, the shareholding of Promoter would be locked-in for a period of three years as follows:

Name	Date of allotment and made fully paid up*	Consideration	Number of Equity Shares	Face Value (Rs.)	Issue/Transfer Price (Rs.)	% of the Post Issue paid-up capital	Eligible for Lock-in period of
GFL	March 31, 2003	Cash	10,800,000	10	10	18%	3 years
	March 27, 2002	Cash	1,200,000	10	10	2%	3 years
	March 27, 2002	Cash	8,000,000	10	10	13.33%	1 year

Name	Date of allotment and made fully paid up*	Consideration	Number of Equity Shares	Face Value (Rs.)	Issue/Transfer Price (Rs.)	% of the Post Issue paid-up capital	Eligible for Lock-in period of
	March 13, 2001	Cash	3,999,300	10	10	6.67%	1 year
	January 12, 2001	Cash	13,250,000	10	10	22.08%	1 year
	March 31, 2000	Cash	2,350,000	10	10	3.92%	1year
	November 9, 1999	Cash	700	10	10	0.00%	1 year
	Total		**39,600,000**			**66%**	

* Unless otherwise referred to means subscription of fully paid-up Equity Shares

Out of the total Promoters' holding, 20% of the Post-Issue Equity Share Capital i.e. 12,000,000 Equity Shares will be locked in for 3 years, which would comprise of GFL's holding of Equity Shares in our Company as detailed in the table above. The lock in period shall commence from the date of allotment of Equity Shares in this Issue.

In terms of clause 4.14.1 of the SEBI Guidelines, in addition to the lock-in of 20% of post Issue shareholding of the Promoter for three years, as specific above, the entire pre-Issue share capital shall be locked-in for a period of one year from the date of allotment in this Issue. This does not include 4,500,000 Equity Shares for which transfers made under the Offer for Sale which are exempt from lockin.

Locked-in Equity Shares held by the Promoter can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16 (b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and amongst the Promoter/ Promoter Group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

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

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

3. Our Company, the Selling Shareholder, our Directors and the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of our Company from any person.

4. Our top ten shareholders and the number of Equity Shares of Rs. 10 each held by them on the date of filing and 10 days prior to date of filing this Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of the Shareholder	On the date of filing the Draft Red Herring Prospectus		10 days prior to the filing of Draft Red Herring Prospectus	
		No. of shares held	% of Pre-Issue Equity Share Capital	No. of shares held	% of Pre-Issue Equity Share Capital
1.	GFL	44,099,400	91.87	44,999,400	93.75
2.	Mr. Pavan Jain: - as nominee of GFL* - - in individual capacity Total	100 1,250,000 1,250,100	2.60 (including as nominee)	100 1,250,000 1,250,100	2.60 (including as nominee)
3.	Mr. Vivek Jain - as nominee of GFL* - in individual capacity Total	100 1,250,000 1,250,100	2.60	100 1,250,000 1,250,100	2.60
4.	Mr. Pavan Jain, in his capacity as a trustee for the Inox Leisure Limited – Employees Welfare Trust	500,000	1.04	500,000	1.04
5.	Mr. Adit G Mehta	250,000	0.52	-	-
6.	Wearit Global Limited	200,000	0.42	-	-
7.	Mrs. Asha Devi	150,000	0.31	-	-
8.	Mrs. Ritika Kumar	105,000	0.22	-	-
9.	Mr. Narendra Kumar	70,000	0.15	-	-
10.	Apeejay Securities Private Limited	50,000	0.10	-	-

*100 Equity Shares of Rs. 10/- each are held by them in their capacity of nominees of GFL. Therefore GFL's holding, including shares held by nominees on its behalf, is 45,000,000 Equity Shares. Percentages as regards Promoter's holding pre-Issue and Post-Issue in this Draft Red Herring Prospectus (except in this table and the table in Clause 5 below) have been calculated with reference to GFL's total holding, including Equity Shares beneficially held on its behalf.

500,000 Equity Shares are held by Mr. Pavan Jain as trustee for the "Inox Leisure Limited – Employees Welfare Trust", being the beneficial owner. Declarations under Section 187-C of the Companies Act has been received by our Company, and have consequently been filed with the Registrar of Companies.

5. Our top ten shareholders and the number of equity shares held by them two years prior to date of filing of this Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of the Shareholder	No. of shares held	% of Pre-Issue Equity Share Capital
1.	GFL	44,999,400	99.9986
2.	Mr. Pavan Jain	100*	0.0002
3.	Mr. Vivek Jain	100*	0.0002
4.	Mr. Devendra Jain	100*	0.0002
5.	Mr. Deepak Asher	100*	0.0002
6.	Mr. Siddharth Jain	100*	0.0002
7	Ms. Nandita Jain	100*	0.0002

* - 100 Equity Shares of Rs. 10/- each are held by them in their capacity of nominees of GFL.

6. Shareholding pattern of our Company before and after the Issue:

Description	Pre-Issue		Post-Issue	
	No. of Equity Shares	% holding	No. of Equity Shares	% holding
Promoter	44,100,000*	91.88	39,600,000	66
Directors	2,500,000	5.21	2,500,000**	4.17
Mr. Pavan Jain, in the capacity of a trustee of 'Inox Leisure Limited – Employee Welfare Trust'	500,000	1.04	500,000	0.83
Public/ Others	900,000	1.88	17,400,000#	29
Total	**48,000,000**	**100**	**60,000,000**	**100**

* GFL's holdings include Shares held by nominees.
** The post Issue holding will be subject to change, depending upon the allotment made to the Directors under the Employee Reservation Portion after the Issue.
# This includes 200,000 Equity Shares reserved for Employees under the Employee Reservation Portion, which will be determined after allotment of Equity Shares pursuant to the Issue.

7. None of our Promoter, members of our Promoter Group have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI except as below:.

Our Promoter has transferred 900,000 Equity Shares on November 23, 2005 at a price of Rs. 95/- per Equity Share aggregating to Rs. 85,500,000/- to the following:

Sr. No	Transferee	Number of Equity Shares face value of Rs. 10/- each
1.	Mr. Adit G Mehta	250,000
2.	Wearit Global Limited	200,000
3.	Mrs. Asha Devi	150,000
4.	Mrs. Ritika Kumar	105,000
5.	Mr. Narendra Kumar	70,000
6.	Apeejay Securities Private Limited	50,000
7.	Mrs. Neerja Agarwal	50,000
8.	Varistha Leasing International Limited	25,000
	Total	**900,000**

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

9. In case of over-subscription in all categories, not more than 50% of the Net Issue, shall be available for allocation on a proportionate basis to Qualified Institutional Buyers, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

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

10. The Selling Shareholder is offering 4,500,000 Equity Shares, which were allotted on March 31, 2000, being 10% of its pre-Issue holding in our Company as a part of this Issue. The board of directors of the Selling Shareholder have authorised the Offer for Sale *vide* a resolution passed at its board meeting on November 21, 2005. The Selling Shareholder is eligible for the Offer for Sale under SEBI Guidelines.

11. We have applied for an RBI approval *vide* application letter dated November 24, 2005 for seeking permission to make an Offer for Sale to Non-Residents, FIIs, Foreign Venture Capital Investors and other permitted persons/entities, if any resident outside India other than erstwhile Overseas Corporate Bodies. As per RBI Regulations, OCBs are not allowed to participate in this Issue.

12. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until our Equity Shares to be issued in terms of this Draft Red Herring Prospectus have been listed.

13. We presently do not intend or propose to alter our capital structure for six months from the date of 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 for Equity Shares) whether preferential or otherwise, except that we may enter into acquisitions or joint ventures or may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

14. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

15. We have not raised any bridge loans against the proceeds of the Issue.

16. The Equity Shares locked in by the Promoter are not pledged to any party. The Promoter may pledge their Equity Shares with banks or financial institutions as additional security for loan whenever availed of from banks or financial institutions provided pledge of Equity Shares is one of the terms of sanction of loan.

17. Our Company has not revalued any of its assets since inception.

18. We have not capitalised any of our reserves since inception.

19. As on the date of filing of this Draft Red Herring Prospectus, the total number of holders of Equity Shares is 18.

20. Restrictive covenants in the loan agreements

In respect of various agreements entered into by our Company with our lenders, we are bound by certain restrictive covenants regarding capital structure. As per the loan agreements, we require written consent from the lenders, for certain restrictive covenants, amongst others, including as mentioned below:

- Formulate any scheme of amalgamation or reconstruction;
- Implement any scheme of expansion/ modernisation/ diversification/ renovation;
- Undertake guarantee obligation on behalf of any other concerns or company/ firm/ persons including sister/ associate concerns;
- Undertake any amendments to the Memorandum and Articles of Association;
- Undertake any transfer/ mortgage/ pledge of Equity Shares held by our Promoter.

Pursuant to the aforesaid covenants we have obtained the prior written approvals from UTI Bank Limited, United Bank of India and Canara Bank.

21. An over-subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of [•] Equity Shares while finalising the basis of allotment.

22. Equity Shares offered through this Issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of Equity Shares in the manner specified in Clause 8.6.2 of the SEBI DIP Guidelines.

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

24. Our Company has issued and allotted 500,000 Equity Shares on October 28, 2005 to "Inox Leisure Limited – Employee's Welfare Trust" (the "**Said Trust**") (trustee being Mr. Pavan Jain, Director of our Company) pursuant to the ESOP Scheme adopted at the Extraordinary General Meeting held on October 28, 2005 at a price of Rs. 15/- per Equity Share, being a premium of Rs. 5/- per Equity Share. The objects of the Said Trust and the provisions of our Articles of Association enable us to execute the ESOP Scheme and grant options thereunder to eligible employees (as defined in the ESOP Scheme), if deemed fit. However, we have not granted any options to date under the said ESOP Scheme. Our Company has given an advance of Rs. 7,500,000 to the Said Trust for the purpose of subscribing to the aforesaid 500,000 Equity Shares.

OBJECTS OF THE ISSUE

The net proceeds of the Fresh Issue after deducting underwriting and lead managers fees, selling fees and all other issue related expenses is estimated to be Rs. [•] million. We will receive no proceeds from the Offer for Sale of the Equity Shares by the Selling Shareholder.

We intend to utilise the net proceeds of the Fresh Issue to finance our expansion plans, consolidate our position in the existing markets, make inroads into new markets and achieve the benefits of listing. We believe that listing will also enhance our visibility and our brand name.

In the event of a shortfall in raising the requisite capital from the proceeds of the Fresh Issue, towards meeting the objects of the Issue, the extent of the shortfall will be met by internal accruals and/or from fresh debt. In case of any surplus of monies received in relation to the Fresh Issue, our Board of Directors in accordance with our internal policies will take necessary steps to determine the application of such monies for general corporate purposes, which may include capital expenditure.

As on the date of filing the Draft Red Herring Prospectus with SEBI, we are in different stages of negotiations for expansion of our exhibition business across India.

Brief Details of the Project and fund requirements

The objects and the estimated cost of the objects as envisaged by our management are as follows:

(Rs. in million)

Sr. No.	Particulars	Total Project Cost	Funds deployed upto November 15, 2005	Amount to be raised by way of the Fresh Issue
A	Setting up of new Multiplexes	1122.82	22.82	1100.00
B	General corporate purposes	-	-	[•]
C	Issue expenses	-	-	[•]
	Total			[•]

The main object clause of our Memorandum of Association and the objects incidental and ancillary to the main objects enable us to undertake our existing activities as well as activities for which the funds are being raised by us in the Issue.

Means of Finance

We intend to fund our requirements through proceeds of Fresh Issue.

A] Setting up of new Multiplexes

As part of our overall business strategy we wish to grow both through organic and inorganic means. We plan to expand organically, by expansion of Multiplexes across India and inorganically, through identifying various opportunities in acquisition of Multiplexes/ chain of Multiplexes.

We are in the process of setting up several Multiplexes in various locations across India. As part of our expansion plans we have identified key locations to set up our proposed Multiplexes. We are looking at a mix of owned and leased models. These models are in different stages of negotiations. These stages would include:

- Term Sheet, or Letter of Intent, or Memorandum of Understanding being signed
- Final agreements being signed and/ or registered and the property being at the hand over stage.

Project implementation schedule

Sr. No	Project location	No. of screens	No. of seats	Area (in square feet)	Expected date of possession	Expected date of commencement of operations	Stage of development
1.	Citi Center, Chennai	5	1156	39,101	January 2006	June 2006	Design stage completed
2.	Hyderabad	6	1470	44,109	March 2006	September 2006	In design stage
3.	Beach Heights, Vishakapatnam	4	1300	35,000	May 2006	November 2006	Letter of Intent signed
4.	Crystal Palm, Jaipur	3	750	25,720	June 2006	December 2006	Letter of Intent signed
5.	Diamond City, Kolkata	5	1042	35586	December 2007	Mid 2008	Letter of Intent signed
6.	Jayanagar, Bangalore	4	1100	31250	October 2006	Early 2007	Letter of Intent signed
7.	Gomti Nagar, Lucknow	4	1000	30,000	April 2006	October 2006	Letter of Intent signed
8.	Koramangala, Bangalore	7	1860	55,900	Mid 2007	Early 2008	Letter of Intent signed
9.	Benzer Agencies Limited, Jaipur	3	750	25,700	July 2007	January 2008	Letter of Intent signed
10	City Mall Developers Private Limited, Raipur	4	1250	34,000	March 2007	September 2007	Letter of Intent signed
11	The Rink Mall, Darjeeling	3	811	26,040	Ready cinema	February 2006	Letter of Intent signed

For further details as regards these properties, refer to the section titled "Our Business" beginning on page 85 of this Draft Red Herring Prospectus.

Fund requirements

The following details the fund requirement including following expenditure:

(Rs in million)

Nature of expenditure	Estimated Amount
Civil and interior and plumbing works	410
HVAC	55
Electrical and related procured items	100
Acoustic	95
Projection and sound equipments, concession equipments and other procured items, fees of consultants	440
Total	**1100**

The aforesaid fund requirements are estimated in relation to eleven properties specified in the paragraph titled "**Schedule of Implementation**" above, for all of which we have executed LoIs/Memorandums of Understanding.

The fund requirements stated above are based on the current business plan of our Company. We operate in a highly competitive and dynamic industry, and may have to revise our business plan from time to time on account of new projects that we may pursue including any industry consolidation initiatives i.e., potential merger and/ or acquisition opportunities for existing multiplex/multiplex chains or multiplex under development. We may also switch capital expenditure to newer and/or early completion date projects in case of delays by the property developer in the handover of specific projects.

Consequent to one or more of the aforesaid, our fund requirements may also change accordingly. This change in business plan may include rescheduling of capital expenditure programs, starting projects which are not currently envisaged, discontinuing projects currently planned and increase or decrease in the capital expenditure for a particular multiplex vis-à-vis current plans at the our discretion. Any part of the proceeds of the Fresh Issue proceeds may, in our discretion, be suitably re-deployed to meet changed business needs or plans.

As on date of this Draft Red Herring Prospectus with SEBI, we have not entered into any letter of intent or definitive commitment not mentioned herein for any such strategic initiatives and acquisitions.

Equipment

We are currently negotiating with various suppliers for supply of furniture, fixtures, equipments, hardware and software required to operate our proposed Multiplexes. The following is the list of contractors/ suppliers/ consultants that we have appointed or propose to appoint for the purposes of carrying out our proposed expansion.

Sr. No	Works/ Equipments	Contractors/ Suppliers/ Consultants
1.	Civil and interior works	Chennai – Talati & Panthaky Architects
2.	Design and PMC	Chennai – Feedback Strategic Consultancy Services Private Limited Hyderabad - Feedback Strategic Consultancy Services Private Limited
3.	Mechanical Electrical Plumbing	Chennai – Sanelac Consultants
4.	Acoustic	Chennai – Architect Parimal Mehta Hyderabad - Architect Parimal Mehta

The tie up with the respective suppliers and consultants in respect some of them will be done at appropriate stage of project implementation.

Funds deployed

Based on the certificate dated November 18, 2005 from Patankar & Associates, Auditors of the Company, the expenditure incurred by the Company till November 15, 2005 on the specified new projects is given below:

(Rs in million)

New unit at:	Amount paid towards MOU/LOI	Capital Work in Progress and Capital advances	Preoperative Expenses	Total
Hyderabad	1.00	0.05	1.54	2.59
Citi Center, Chennai	2.04	11.31	4.86	18.21
Gomti Nagar, Lucknow	0.50	-	-	0.50
Jayanagar, Bangalore	0.10	-	-	0.10
Crystal Palm, Jaipur	0.50	-	0.50	1.00
Benzer Agencies Limited, Jaipur	0.10	-	-	0.10
Diamond City, Kolkata	0.10	-	-	0.10
City Mall Developers Private Limited, Raipur	0.10	-	-	0.10
Beach Heights,	0.11	-	0.01	

Vishakapatanam				0.12
Kormangala, Bangalore	-	-	-	-
The Rink Mall, Darjeeling	-	-	-	-
			Total	**22.82**

B] General corporate purposes

General corporate purposes would include expenses relating to capital expenditure/ IT support systems or upgradations.

C] Issue Expenses

The total expenses of the Issue are estimated to be approximately Rs. [•] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. For further details please refer to section titled "Other Regulatory and Statutory Disclosures" beginning on page 223 of this Draft Red Herring Prospectus.

INTERIM USE OF PROCEEDS OF THE ISSUE

The management, in accordance with the policies set up by the Board of Directors, will have the flexibility in deploying the proceeds received by us from the Fresh Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board of Directors from time to time.

No part of the Fresh Issue proceeds will be paid by us as consideration to our Promoter, Directors, key management personnel, subsidiaries, associate or group companies.

MONITORING OF UTILISATION OF FUNDS

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

ISSUE STRUCTURE

The present issue of 16,500,000 Equity Shares at a price of Rs. [•] for cash aggregating Rs. [•] million, is being made through a 100% book building process.

Particulars	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 200,000 Equity Shares	Not more than 8,150,000 Equity Shares	Not less than 2,445,000 Equity Shares	Not less than 5,705,000 Equity Shares
Percentage of Issue size available for allocation	Upto 1.21% of the Issue	Upto 50% of the Net Issue or the Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. However, upto 5% of the QIB Portion Shall be available for allocation Proportionately to Mutual Funds only.	Minimum of 15% of the Net Issue or the Net Issue less Allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 35% of the Net Issue or the Net Issue less allocation to QIBs and Non Institutional Portion
Basis of Allocation or Allotment if respective category is oversubscribed.	Proportionate	Proportionate as follows: (a) Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	[•] Equity Shares and in multiples of [•] Equity Shares thereafter	Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter	Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter	[•] Equity Shares and in multiples of [•] Equity Shares thereafter
Maximum Bid	Not exceeding 200,000 Equity Shares	Not exceeding the size of the Issue subject to applicable limits.	Not exceeding the size of the Issue	Such number of Equity Shares so that the Bid Amount does not exceed Rs. 100,000
Allotment Mode	Compulsory in dematerialised form	Compulsory in dematerialised form	Compulsory in dematerialised form	Compulsory in dematerialised form
Trading Lot/Market Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share

Particulars	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Bidding lot	[•] Equity Shares	[•] Equity Shares	[•] Equity Shares	[•] Equity Shares
Who can Apply**	Employees of the Company as on one (1) day prior to the Bid/Issue Opening Date	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million (subject to applicable law).	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	Individuals (including NRIs and HUFs) applying for an amount up to Rs. 100,000 amount.
Terms of Payment	Margin Amount applicable to Employees shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form shall be payable to the members of the Syndicate.	Margin Amount applicable to Retail Bidders at the time of submission of Bid cum Application Form shall be payable to the members of the Syndicate.
Margin Amount	100% of the Bid Amount on Bidding	At least 10% of the Bid amount on Bidding	100% of the Bid Amount on Bidding	100% of the Bid Amount on Bidding

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than 407,500 Equity Shares (assuming QIB Portion is 50% of the Net Issue, i.e. 16,300,000 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

Undersubscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the Public, and the undersubscription can be met with spill over from any other category at the discretion of the Company, in consultation with the BRLM.

BASIS FOR ISSUE PRICE

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

QUALITATIVE FACTORS

Research backed investment
We carry out in-depth research comprising of population segments, income patterns, spending habits, preferences and alternatives of consumers, as well as regulatory framework before selecting the cities where we wish to set up a multiplex.

The first mover advantage
Presently, the players in the multiplex industry are largely regional. We would be amongst the few players to conceptualise and implement a business plan of establishing a national chain of world class multiplexes.

Location
Location is as critical as content for the success of a multiplex business. While selection of right content helps in reaching out to the right target, selection of right location results in attracting higher footfalls. All our multiplexes would be located in high traffic commercial business districts or in the midst of affluent residential areas of each town / city of operation, which would provide us with a competitive advantage.

Economies of being a national chain
Controlling a chain of multiplexes across the country, gives us an edge over local competition in accessing content – both in terms of quality of content as well as terms of agreement between the content provider and the exhibitor, as well as provided us with some economies of scale due to better negotiating leverage and sharing of come common costs.

Brand creation
We have created brand equity through all our multiplexes, after their launch. Further, we are increasingly being recognised in the industry as a committed long term player. All our projects represent quality benchmarks in the industry.

Reputed Promoter
We are promoted by GFL, which has experience in manufacturing and exports of refrigerants. GFL has an excellent reputation and track record with banks, financial institutions and investors and is known to conform to transparent corporate governance practices.

Work with the best
We have identified and used the best talent in the industry, from concept architects, interior designers, project management companies, engineering consultants, etc., as also the best equipment available internationally, to put together state-of-the-art multiplexes.

Proven project management skills
We have an in-house professional team for project implementation supported by Feedback Strategic Consultancy Services Private Limited. This model of implementing projects has enabled us to complete properties within budgets and time.

Marketing strength
We believe, the brand 'INOX' has been established in the consumers mind due to marketing through newspaper ads, radio spots, direct mailers, internet mailers and the use of promotions like paid previews, contests, movies merchandise, Disc Jockey in the lobby over the weekend etc. Premieres of films are also used as an important marketing tool.

Customer Orientation
'INOX' has built a clear focus on customer orientation, by providing services such as, tele-bookings, home delivery of tickets, internet and SMS bookings.

Integrated Technology Backbone
We have laid a lot of emphasis on a technology and systems. We have a strong MIS system, on the backbone of a technically sturdy software system, which provide us with regularly updated performance reports on all our Operating Units. This assists us in our day to day operations. This assists us in our day to day operations. We have installed specialize management exhibition software called Showbizz Multiplex at all our Operating Units. We were the first client for this software product and have contributed in designing and developing of this product. This software is evolving to be an industry standard and is being implemented at other multiplexes across India.

We have invested in IT infrastructure to connect all our Operating Units with Corporate Office. This has been a key factor in streamlining our operations across our Operating Units in 7 cities. This has also benefited us in a more real time MIS system, effective decision making and quick solution of issues leading to better controls of various units.

World-class design
All our multiplexes are designed by renowned international architects, incorporating the latest design elements, to ensure that the audience gets a truly international viewing experience.

State of art projection and sound systems
All are multiplexes are equipped with Dolby Digital Ex Surround and DTS sound formats. Most of our multiplexes have Harkness Screens with automated masking and Christie projection and looping facilities. This equipment is considered to be the best available in cinema projection and sound equipment.

Pleasant ambience
State of the art seating arrangements (stadium styled pushback reclining seats with cup holder armrest), carpets, upholstery and interiors to create a unique movie viewing ambience

QUANTITATIVE FACTORS

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

1. Earning Per Share (EPS) (as adjusted for changes in capital)

Particulars	Face value per share (Rs. 10 per share)	
	Rupees	Weight
Year ended March 31, 2003	0.01	1
Year ended March 31, 2004	0.78	2
Year ended March 31, 2005	1.61	3
Six month period ended September 30, 2005	4.32*	4
Weighted Average	2.37	

* annualised

Note:

(i) The Earning per Share has been computed on the basis of the restated profits of the respective years drawn after considering the impact of material adjustments of prior period items pertaining to the earlier years.

(ii) The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares Outstanding during the year.

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

   a. Based on the year ended March 31, 2005, EPS is Rs. 1.61
   b. P/E based on profits after taxes, as restated, for the year ended March 31, 2005 is [.].
   c. Industry P/E[1]
      i) Highest: 42.3
      ii) Lowest: 1.2
      iii) Industry Composite: 34.3

[1] *Source: "Capital Market" Vol. XX/18, dated November 7-20, 2005.*

3. Return on Average Net Worth as per restated Indian GAAP financials:

Particulars	RONW %	Weight
Year ended March 31, 2003	0.13	1
Year ended March 31, 2004	7.60	2
Year ended March 31, 2005	13.98	3
Six months period ended September 30, 2005	16.13*	4

Weighted Average	12.18	

* Not annualised

Note: The return on average net worth has been computed on the basis of the restated profits of the respective period/years drawn after considering the impact of material adjustments of prior period items pertaining to earlier years. The Average Net Worth has been computed as a simple average of the opening and closing net worth excluding share application money, as per Restated Statement of Assets and Liabilities.

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

5. Net Asset Value per Equity Share

   (i) For the year ended March 31, 2005 [(1)]: Rs. 12.31
   (ii) After the Issue: [•]
   (iii) Issue Price: Rs. [•]

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

(1) Net Asset Value per Equity Share represents shareholders' equity as per restated financial statements less revaluation reserves and miscellaneous expenses as divided by Equity Shares outstanding at the end of the period.

6. Comparison of Accounting Ratios

	EPS (Rs.)	**P/E**	**RONW%**	**NAV (Rs.)**
Inox Leisure Limited	1.61	[•]	13.98	12.31
Industry Average		34.3		
Peer Group				
Adlabs Films	5.5	41.5	18.6	100.7

** The EPS, P/E, RONW and NAV figures are based on the latest audited results for the year ended March 31, 2005*
Source: "Capital Market" Vol. XX/18, dated November 7-20, 2005.

7. The Issue Price is [•] times of the face value of the Equity Shares.

STATEMENT OF TAX BENEFITS

Auditors' report on Statement of Possible Tax Benefits Available to the Company and its Shareholders.

We hereby report that the enclosed annexure states the possible tax benefits available to Inox Leisure Limited ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company and 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 the relevant conditions, which based on business imperatives it faces in the future, it may or may not choose to fulfill.

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

We do not express any opinion or provide any assurance as to whether:
a) the Company or its shareholders will continue to obtain these benefits in future; or
b) the conditions prescribed for availing the benefits have been/would be met with.

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

For Patankar & Associates,
Chartered Accountants,

(M Y Kulkarni)
Partner
Mem. No. 35524

Place: Mumbai
Dated: 28th October, 2005

Annexure - Statement of possible tax benefits available to Inox Leisure Limited and its shareholders.

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

A. BENEFITS AVAILABLE UNDER THE INCOME-TAX ACT, 1961 ("the Act")

1. BENEFITS AVAILABLE TO THE COMPANY

1.1 Benefit under section 80IB(7A): The Company is eligible to claim benefits under section 80IB(7A) in respect of its business of operating multiplex theatres, subject to satisfaction of prescribed conditions. The benefit under section 80IB(7A) is not available in respect of a multiplex theatre located within municipal jurisdiction of Chennai, Delhi, Mumbai or Kolkata. Further, in order to avail the benefits under section 80IA(7), the Company must build, own and operate the multiplex theatre (as defined). The eligible deduction would be fifty per cent of the profits and gains derived from such multiplex theatre, for a period of five consecutive years beginning from the initial year of the said multiplex theatre.

1.2 Income from Mutual Fund units: Income, if any, received by the Company on units of a Mutual Fund specified under Section 10(23D) of the Act will be tax-exempt under Section 10(35) of the Act.

1.3 Capital gains: Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

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, for resident shareholders it is permitted to substitute the cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as notified from time to time.

From 1 October 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on a recognized stock exchange are exempt from tax under Section 10(38) of the Act on being subject to Securities Transaction Tax levied under Chapter VII of the Finance (No. 2) Act of 2004.

From 1 October 2004, under the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on recognized stock exchange are subject to tax at the rate of 11.22 per cent (basic rate of 10% to be increased by a surcharge of 10 per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent), provided the transfer is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

Under the provisions of Section 112 of the Act, long-term gains are subject to tax at a rate of 22.44 percent (basic rate of 20% to be increased by a surcharge of 10 per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent).

As per the proviso to Section 112(1), the long term capital gains arising on transfer of listed securities or units is restricted to 11.22 per cent (basic rate of 10% to be increased by a surcharge of 10 per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent) of gains without indexation benefit.

As per Section 54EC of the Act and subject to conditions specified therein, taxable long-term capital gains are not chargeable to tax to the extent they are invested in certain notified bonds within six months from the date of transfer. If the Company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable in such year. The bonds specified for this Section are bonds issued by National Bank for Agriculture and Rural Development (NABARD), the National Highway Authority of India (NHAI), the National Housing bank (NHB), the Rural Electrification Corporation Ltd. (REC) and Small Industrial Development Bank of India (SIDBI).

As per Section 54ED of the Act and conditions specified therein, long term capital gains arising on listed securities or units are not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital". The investment needs to be within six months from the relevant date of transfer. 'Eligible issue of capital' means an issue of equity shares that satisfied the following conditions:

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

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders. At this stage, it may be relevant to note that under Section 10(36) of the Act, the Central Board of Direct Taxes ('CBDT') has clarified vide Circular no.7/2003 dated 5 September 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

2. BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS

2.1 Dividend income: Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income-tax in the hands of the shareholders.

2.2 Capital gains: As outlined in paragraph 1.3 above. Further, as per the provisions of Section 54F of the Act and subject to conditions specified therein, any taxable long term capital gains (other than on residential house but including those on shares) arising to an individual or Hindu Undivided Family are exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three year from the date of transfer, provided that the individual should not own more than one residential house. In case of a resident individual, the applicable surcharge is 10 per cent if the total income exceeds Rs. 1,000,000 and needs to be factored in before levy of additional surcharge by way of education cess of 2 per cent. In other cases the applicable surcharge is nil and additional surcharge by way of education cess of 2 per cent.

2.3 Credit for Securities Transaction Tax (STT): The STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.

3. BENEFITS AVAILABLE TO NON-RESIDENT SHAREHOLDERS

3.1 Dividend income: As outlined in paragraph 2.1 above.

3.2 Capital gains: As outlined in paragraph 1.3 above except that under first proviso to Section 48 of the Act, the taxable capital gains arising on transfer of capital assets being shares or debentures of an Indian Company need to be computed by converting the cost of acquisition, expenditure on connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. In view of this mechanism, in computing such gains, the benefit of indexation is not available to non-resident shareholders. In case of a non-resident individual, the applicable surcharge is 10 per cent if the total income exceeds Rs. 1,000,000 and needs to be factored in before levy of additional surcharge by way of education cess of 2 per cent. In other cases the applicable surcharge is nil and additional surcharge by way of education cess of 2 per cent.

3.3 Tax Treaty Benefits: As per 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. Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

4. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS

4.1 Dividends: As outlined in paragraph 2.1 above.

4.2 Capital gains: Under Section 115I of the Act, a Non-resident Indian (NRI) as defined therein has the option to be governed by the normal provisions of the Act as outlined in paragraph 1.3 or the provisions of Chapter XII-A of the Act through appropriate declaration in the return of income. The said Chapter *inter alia* entitles NRI to the benefits stated hereunder in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.

As per the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, taxable long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10.20 percent (basic rate of 10 per cent to be increased by additional surcharge by way of education cess of 2 per cent) (if the total income exceeds Rs. 1,000,000 then a surcharge of 10% needs to be factored before levy of additional surcharge).

As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian Company would not be chargeable to tax. To avail this benefit the entire net consideration received on such transfer needs to be invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act.

If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if:

- Their only source of income is income from investments or long term capital gains earned on transfer of such investments or both; and
- The tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

As per Section 115H of the Act, when a NRI becomes a resident in India, the provisions of the Chapter XII-A can continue to apply in relation to investment made when he was a NRI. Towards this, the NRI needs to furnish a declaration in writing to the Assessing Officer along with his return of income.

4.3 Tax Treaty Benefits: As outlined in paragraph 3.3 above

5. SPECIAL BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS')

5.1 Dividend income: As outlined in paragraph 2.1 above.

5.2 Capital gains: As per the provisions of Section 115AD of the Act, FIIs are taxed on the capital gains income at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains	30

The above tax rates would need to be increased by the applicable surcharge of 10 per cent and the total to be increased by an additional surcharge of 2 per cent towards education cess. In case of Non-corporate FIIs (e.g. trusts) the surcharge is 10% if their total income exceeds Rs. 1,000,000, otherwise it is nil. This has to be increased by additional surcharge of 2%. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

From 1 October 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on the recognized stock exchange are exempt from tax under Section 10(38) of the Act on being subject to Securities Transaction Tax as levied under Chapter VII of the Finance (No. 2) Act of 2004.

From 1 October 2004, Short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on the recognized stock exchange to Corporate FIIs are subject to tax at the rate of 11.22 per cent (basic rate of 10% to be increased by a surcharge of 10 per cent and the total to be increased by an additional surcharge of 2 per cent by way of education cess) on being subject to Securities Transaction Tax levied under Chapter VII of the Finance (No. 2) Act of 2004. In case of Non-corporate FIIs (e.g. FII), the applicable surcharge is 10% if their total income exceeds Rs. 1,000,000.

5.3 Tax Treaty Benefits: As outlined in paragraph 3.3 above.

6. BENEFITS AVAILABLE TO MUTUAL FUNDS

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, 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 the prescribed conditions.

7. BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES / FUNDS

As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

B. BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

C. BENEFITS AVAILABLE UNDER THE GIFT-TAX ACT

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

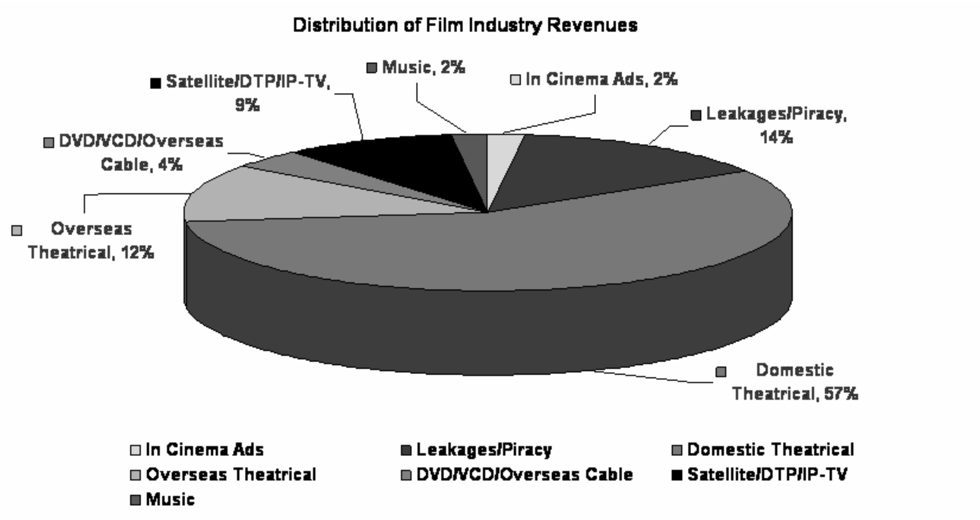
SECTION IV : ABOUT THE ISSUER COMPANY

INDUSTRY OVERVIEW

The Indian film industry is the largest film industry in the world in terms of the number of films produced and admissions each year. *(Source: Indian Entertainment Industry Focus 2010: Dreams to Reality, Confederation of Indian Industry - KPMG, 2005 ("CII - KPMG Report, 2005")*

In India, Movies have always been a very important source of entertainment. Movies directly contributed Rs. 4,500 crores out of the Rs. 19,200 crores entertainment business in India in 2003 *(Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004);* besides being an important source of content for the Television, Cable and Music businesses. The large interest in Movies, dating back to almost 100 years, resulted in a number of cinema halls / theaters being set up all over the country. A lot of such cinema halls / theaters were set up over 30-50 years back, largely by local entrepreneurs and businessmen. Going to cinema is one of the most popular entertainment options in India.

The Indian film industry revenue for 2004 was estimated at Rs. 59 billion (US$1.3 billion), which was less than 1% of global film industry revenue and a fraction of the U.S. film industry revenue, which was US$9.49 billion in 2003. *(Source: CII - KPMG Report, 2005)* The pie chart below sets forth the percentage contribution of various revenue sources to the total revenue of the Indian film industry in 2004.



Source: CII-KPMG Report, 2005

The Indian film industry currently realizes almost 70% of its total revenues (around 80% of legitimate revenues) from domestic and overseas box office sales compared with the U.S. film industry, which earns only 35% of its revenue from box office sales and the remaining 65% of revenue is derived from other revenue sources such as sales of DVDs and VHS tapes and the sale of cable and satellite television rights. *(Source: CII - KPMG Report, 2005.)*

India is one of the few markets globally where U.S. produced films (Hollywood) have not been able to dominate. Hollywood films only have a 4% market share in India, arguably the lowest amongst all other film exporting countries. *(Source: CII - KPMG Report, 2005.)*

A combination of highly fragmented ownership, high entertainment tax rates, large cost of setting up new theaters, and unavailability of organized funding has resulted in many such theaters not being able to continuously upgrade or renovate their facilities, thus resulting in a decline in the quality of such theaters. This has been detrimental to the entire Film Industry, as viewers started staying away from theaters and started using alternative viewing options including video and cable TV.

Over the last 5-7 years, factors such as strong economic growth, falling interest rates, increased interest in real estate development, increased consumption levels, etc. have resulted in a large boom in the Organized Retail sector in India. A number of large organized retail outlets have been trying to attract large footfalls by building in attractive properties such as branded food and apparel outlets as well as theater chains. In fact, movie theaters – especially the new format multiplexes which provide high quality viewing experience – are fast emerging as one of the key drivers of footfalls in a number of organized retail outlets, resulting in a renewed interest in investment in and growth of the movie exhibition business in India.

The film industry comprises three industry sectors:

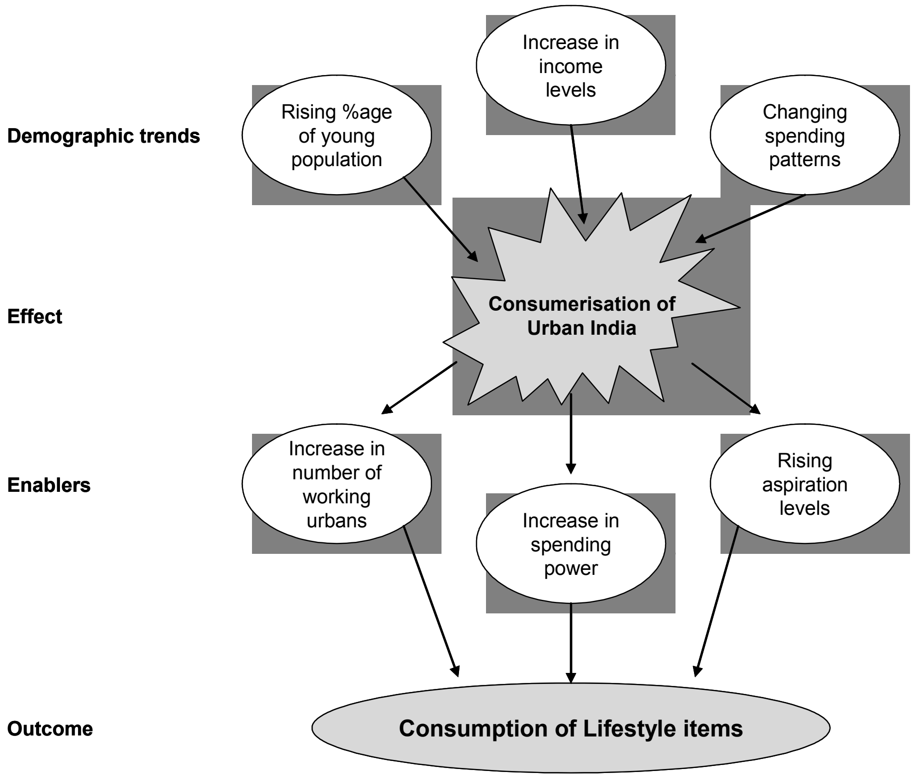
- Movie production, which involves the making of movies;
- Movie distribution, which involves the distribution of movies to cinemas, television and video stores; and
- Movie exhibition, which involves the exhibiting of movies in cinemas.

In light of the above, we have structured this Industry section to cover the Organized Retail business in India, followed by a description of the Movie Exhibition, Movie Distribution and the Movie Production businesses.

1. ORGANISED RETAIL IN INDIA

In the last 5-7 years we have witnessed a significant growth in organized retail in India. Favorable demographics, rising consumer incomes, real estate developments especially with emergence of new shopping malls, availability of better sourcing options both from within India and overseas, and changing lifestyles that bring the Indian consumer closer to the consumers in more developed markets are driving the growth of organized retailing.

The diagram below depicts this changing lifestyle:



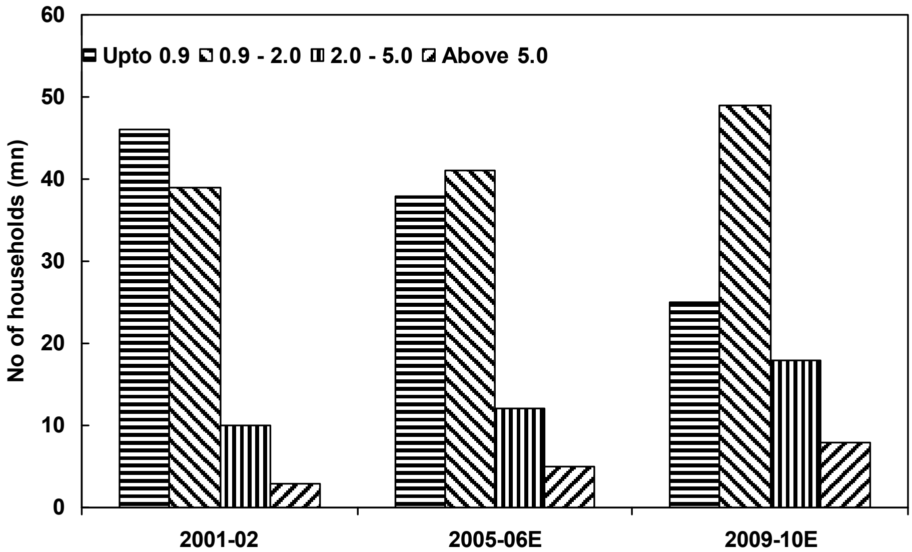
Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

A. INCREASED CONSUMPTION LEVELS OF INDIAN CONSUMERS

Over the last few years, there has been a rise in the overall consumption levels of Indian consumers. The key reasons for this growth in Consumption are: (1) The great Indian Middle Class (2) Lower Liquidity Constraints and (3) Favourable demographics are creating a new consumer class (4) Changing lifestyles

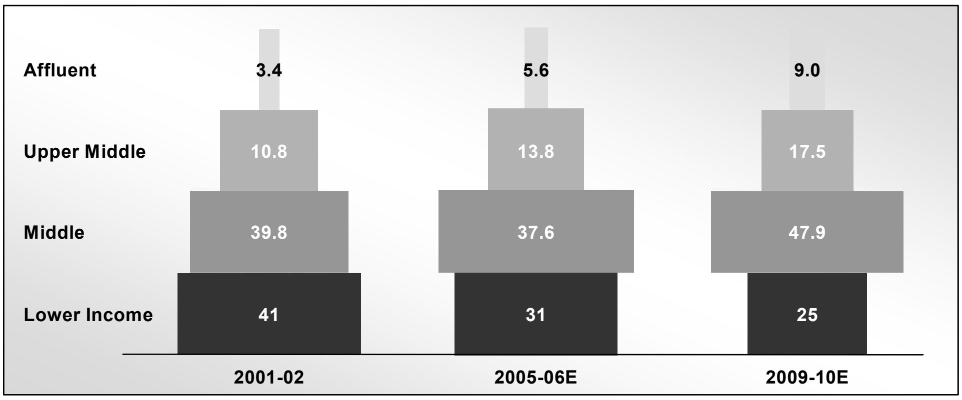
1) The great Indian Middle Class

There has been a healthy growth in the number of households in the lowest-income bracket has witnessed a sharp fall – the number is estimated to have fallen by 13.5% between 2001 and 2006. Households with an annual income of over INR 500,000 will almost double during the same period as shown in the table below. *(Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005)*



Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

The percentage distribution of the urban households is depicted below:



Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

Increasing household incomes has led to a substantial change in the profile of the Indian consumer. In the table provided below the profile of the 'Climbers', 'Consuming' and 'Very Rich' consumers class is biased towards self-indulgent consumption patterns. It is projected that by 2007, these segments would be over 170 million households as compared to 124 million in 2000 and would constitute about 86% of the population against 69% in 2000 *(Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.)*

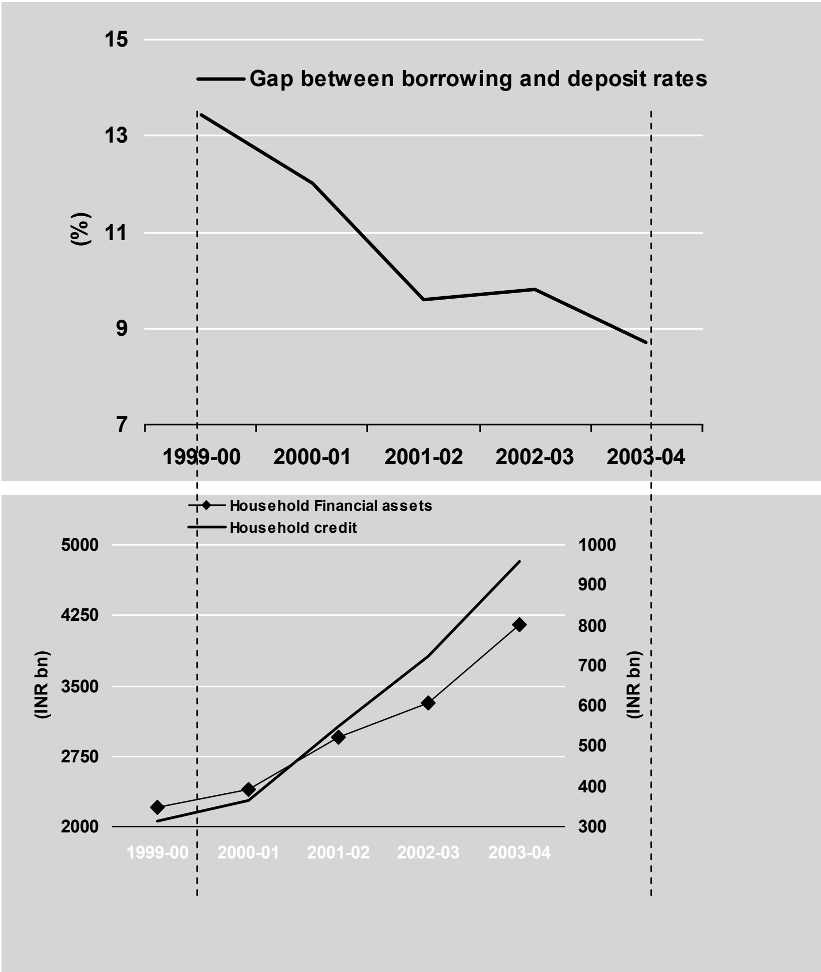
Classification of households:

	Number of households (in mn)		
	1994-1995	**1999-2000**	**2006-2007**
Very Rich	1	3	6
Consuming	29	55	91
Climbers	48	66	74
Aspirants	48	32	15
Destitutes	35	24	13

Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

2) Lower Liquidity Constraints

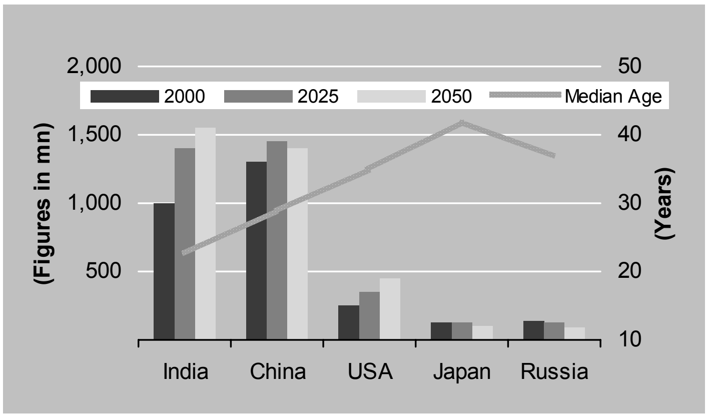
Borrowing constraints have substantially reduced with consumer finance companies becoming aggressive lenders. Indian consumers, who were forced to save earlier if they wanted to make large purchases such as consumer durables and houses, are now borrowing to make these purchases.
A lower gap between deposit and lending rates and lower interest rates has had a significant impact on consumption in economies like Taiwan and Thailand. In India too, these indicators are pointing towards an increasing-consumption scenario. The increase in consumer credit over the last few years indicates the beginning of a consumption boon in India.



Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

3) Favourable demographics are creating a new consumer class

Nearly two-third of India's one billion plus population is under 35 years of age, making it one of the youngest nations in the world on a sizeable base. The median age is about 24 years as compared to 35 years in the United States, 41 years in Japan, and 30 years in China. Urban India accounts for nearly 30% of this burgeoning young population. The young urban Indian consumer, aged between 21 and 40 years, has grown up in the post-liberalisation era with the tailwind of a booming economy and without any guilt of consumption. (*Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005)*.



Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

4) Changing lifestyles

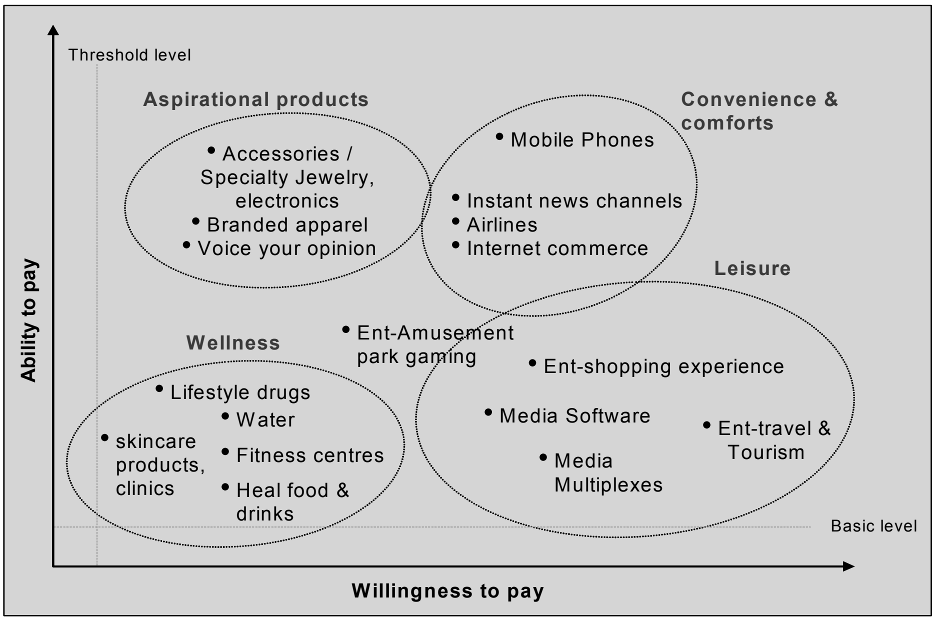
The traditional large, joint-family set up in India, is slowly giving way to a nuclear family set up. This is more pronounced in urban India. This has resulted in a larger number of households, pushing up demand for consumer goods. These have a direct impact on the overall consumption patterns and fuels further growth of organized retail.

Strong economic growth after liberalisation and increasing globalisation has resulted in higher household incomes, and these continue to rise with the Indian economy growing at a brisk pace.

The young urban is not satisfied by purely spending on basic products and services. They want to indulge by spending more on lifestyle products which would satisfy their social needs, esteem needs and self-actualisation needs.

Leisure needs are currently manifesting themselves in the desire for a shopping experience, watching movies in multiplexes, eating out, travel, etc.
The emerging lifestyle categories are reflected below:

Emerging Lifestyle categories



Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

Keeping the above in mind, certain categories will grow exponentially because of changing consumption behaviour as well as availability (e.g. multiplexes, low-cost air travel). Certain categories will grow above the average growth rate, as the income levels rise and people migrate to better-quality or higher aspirational products and services, such as branded apparel.

Some of the bigger categories that show high growth rates are multiplexes, organized retailing, restaurants, specialty electronics, branded jewellery and air travel.

Estimating the Lifestyle opportunity in Rupees million

Lifestyle Category	FY05E	FY10E	CAGR
Leisure			
Media-Software	76,704	184,680	19%
Multiplexes	6,136	34,020	41%
Amusement parks, casinos, gaming	3,196	9,196	24%
Travel and tourism (hotels)	14,360	39,258	22%
Shopping experience	253,123	975,566	31%
Alcoholic beverages	115,056	255,150	17%
Restaurants	115,056	437,400	31%
Wellness			
Health food and drinks	25,312	60,750	19%
Fitness centers	19,176	48,600	20%
Skin care products/clinics	30,682	87,480	23%
Relaxation (spas, etc.)	959	4,860	38%
Lifestyle drugs	ne	ne	
Water (bottled)	7,670	72,900	57%
Aspirational Products			
Accessories/jewellery	10,052	58,160	42%
Branded apparel	175,780	396,900	18%
Specialty electronics	59,833	272,625	35%
Convenience & Comfort			
Instant news channels	6,328	14,580	18%

Mobile handsets, value added services	137,840	2,91,600	16%
Ready to eat	11,723	15,458	6%
Air travel	16,112	77,862	37%
Internet commerce	ne	ne	
Enabling Sectors			
Health insurance	ne	ne	
Investment advisory services	ne	ne	
Consumer finance	ne	ne	
Total (excluding double counting)	**827,711**	**2,593,902**	**26%**

Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.

B. DEVELOPMENT OF ORGANISED RETAIL OUTLETS

The increase in consumption levels has also been accompanied by a significant and sustained fall in interest rates over the last 3-5 years. Strong equity markets and low interest rate regimes have ensured availability of funds for development of retail outlets. As a result, significant investment has been channelised into development of organized retail outlets.

a) Availability of Quality real estate

The Indian retail landscape is evolving with interplay of factors ranging from demographic to economic ones, facilitating the growth of organised retail. The retail industry is in a booming phase with retail sales increasing at an average annual rate of 7% during 1999-2002. According to industry estimates, the growth rate is forecasted to be significantly higher at 8.3% annually during 2003-08, which is higher than the forecasted rate of 7.1% for consumer expenditure. (*Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005).*

The variation in the structure of the global retail industry across economies is striking. The retail industry in the developed economies operates largely through the organised retail channels. The penetration of retailing exceeds 80% of the population in the developed nations, but is lower at about 40% in developing nations like Thailand, Indonesia, and Malaysia. (*Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005).*

Given the highly fragmented nature of the retail industry in India, the organised retail industry currently constitutes only 2% of the total retail market. In terms of value, organised retail was estimated at INR 210 billion in 2003-04. (*Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005.)*

b) Growth in quality retail space in leading urban centres

Organised retail trade in India is now finding its feet. The share of organised retail in the total retail pie is set to increase from the current 2% to about 10% by 2010. This will translate to approximately INR 1,400 billion of retail trade by 2010 and this growth would be fuelled primarily by sales in the apparel and food segments. This growth is on the back of hanging customer aspirations and improving retail real estate infrastructure in the country. *(Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005).*

Rapid expansion in the retail space is taking place in the country. This can be witnessed in the purchase and development of real estate and the rapid construction of mall.

Retail space is expected to increase from 10 million sq.ft. in 2002 to 80 million sq.ft in 2010. Retail space development in leading centres will provide high impetus to retail growth as about 38% of India's high income households live in the top-five cities of Mumbai, Delhi, Kolkata, Chennai and Bangalore, and an additional 28% stay in mid-sized cities. *(Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005).*

Significant growth in organised retailing during the next three years is expected in the metros and mini-metros through better performance of the existing stores, as well as opening of new stores. From 25 operational malls in 2003, the country is expecting over 220 malls by 2006 and over 600 malls by 2010. *(Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005).*

The key success to malls are their anchor tenants which can drive footfalls and multiplexes are playing a pivotal role in this.

c) Rising retail finance and consumer credit leading to increase affordability
Supply-side changes such as consumer finance help in shaping a market's buying power. Consumer credit, especially through credit cards, has been growing healthily year-on-year. Credit/debit card usage in India has witnessed tremendous growth with volume transactions experiencing greatest growth at 3,009% since 1998 to reach 851.8 million in 2003. Value transactions grew 1,399% to reach almost INR 403.9 billion in 2003. *(Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005).*

d) Changing consumer requirements and lifestyles
Over the years, consumer awareness about expected quality and price of products/services has increased. Consumers are more vocal about the quality of the products/services that they expect from the market. This awareness has made the consumer seek more reliable sources for purchases and hence the logical shift to purchases from the organized retail chains
Changes in consumer lifestyle with the steep increase in value of time, change in the Indian family structure from large joint families to nuclear families, and an increasing level of quality awareness has made the case for organized retailing stronger.

C. CONSUMER SPENDING IN MALLS

It has been observed that the consumer spend in malls has been mainly in categories such as Apparels, Home Décor & Furnishing, Food items, Books & Music, and Movies.

a) Urban consumer's spending pattern is changing
A KSA Technopak survey on spending behaviour of more than 10,000 urban households in India indicates that consumers today have started spending more on lifestyle categories like eating out, movies, and entertainment in the last two years. Eating out as a category has grown over the last two years, from 6.0% to 10.8% of a household's discretionary income, whereas spend on grocery items has reduced from 57% to 41.1% over the same period. *(Source: Lifestyle Consumption by Edelweiss Securities Private Limited – 2005).*

Increasingly, a number of mall developers are considering Movies/Theaters and Entertainment outlets as the key elements attracting footfalls to the malls. This is being reflected in the attractive rental rates offered to such outlets, in comparison to other categories of outlets in malls. As a result, Multiplexes are fast emerging as one of the key anchor tenants for most organized retail outlets in India.

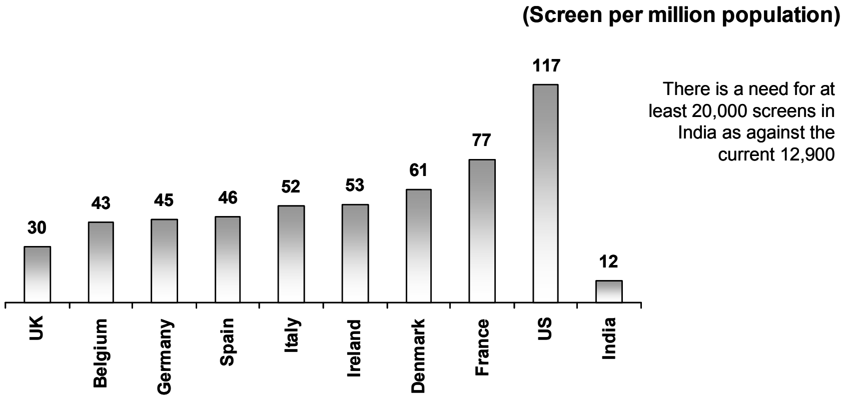
2. THE INDIAN EXHIBITION INDUSTRY

Film exhibition is key interface between the Film Audience and the Movie content. World over, the box office collections (i.e. ticket sales by Movie Exhibitors) continue to be the prime barometer for the commercial success or failure of a movie.

Exhibition centers in India range from the open air to air-conditioned cinema halls and multiplexes. There are only around 12,900 active screens spread over the country. *(Source: CII-KPMG Report, 2005).*

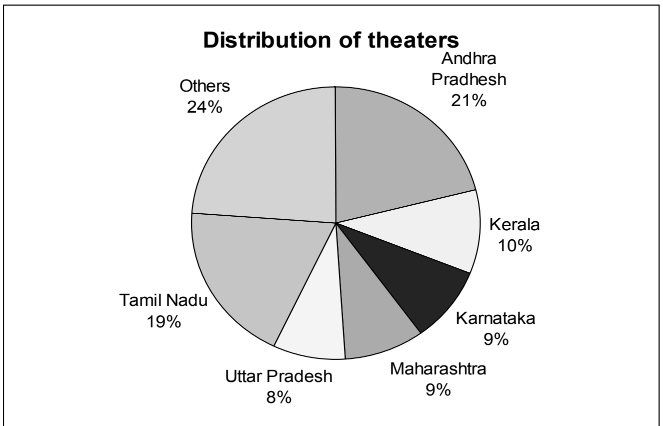
A. OVERVIEW OF THE EXHIBITION INDUSTRY IN INDIA

With around 12,900 active screens (down from 13,000 in 1990) out of which over 95% are standalone single screens, India's screen density is very low as depicted below. India's screens density is very low. In contrast, China, which produces far less films than India, has 65,000 screens while US has 36,000. With many more avenues available to the urban youth it is important to create an enhanced theatre viewing experience. *(Source: CII-KPMG Report, 2005).*



(Source: CII-KPMG Report, 2005).

a) Geographic distribution of theaters across India

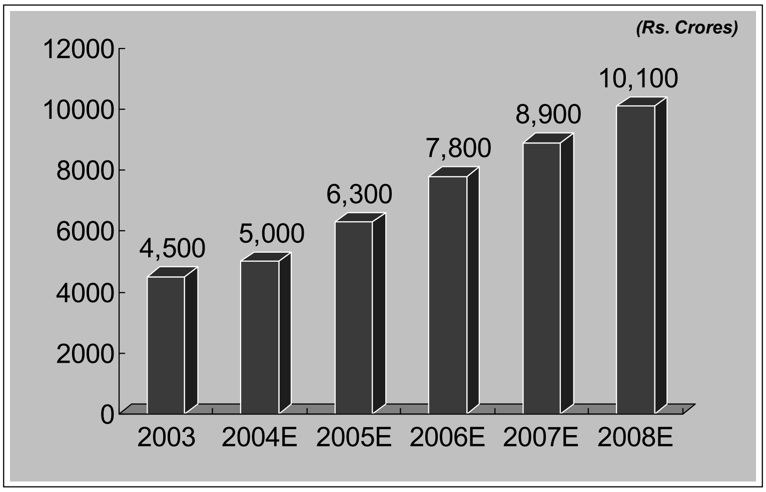


Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004

The Southern Indian states of Tamil Nadu, Karnataka, Kerala and Andhra Pradesh account for 59% of the number of theaters in India, while servicing 22% of the Indian population. As a result, the rest of India is significantly under-screened as compared to the national average.

b) Box office Revenue:

The total revenues of the Indian Film Industry in 2003 are an estimated Rs. 4500 crores (USD 1bn). Going forward, with improvement in distribution, exhibition infrastructure, advent of digital cinema and better exploitation of films, the Indian Film Industry is likely to grow at a CAGR of 18% to gross Rs. 10,100 cores (USD 2.2 Bn) by 2008.



Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004

B. SINGLE SCREEN THEATERS

Historically, most movie theaters in India have been set up as single screen theaters with large seating capacities. A typical single screen theater has a capacity of 800-1200 seats. The upkeep and maintenance of many single screen theaters in India is very poor. The reason for it is that most owners have not made investments in their theaters due to the adverse economics of running the theaters including high entertainment taxes and capacity utilization problems in the large single-screen format.

Such large single screen theaters find it uneconomical to continue exhibiting a film, when occupancy falls below 30-35%. Hence, such theaters have to discontinue exhibiting a movie, even though it may have a demand of about 300 people per show. As a result, many movies experience a short run in single screen theaters, which means that the full revenue potential of a film is not exploited in the single screen format.

C. EVOLUTION OF MULTIPLEXES:

Till about 2001, the film exhibition sector mostly comprised single screen theatres with large capacities ranging from 500-1500 seats. Since 2002, film exhibition business in India has grown tremendously on the back of entertainment tax exemptions announced by select State governments on construction of new multiplexes. An exemption of 50% on corporate income tax for owned multiplexes operating in non-metro cities announced in the Union Budget for the year 2002-03 has also aided development of multiplexes in the country.

The world over, the multiplex format has been a huge success, and most countries have seen a significant increase in patrons and revenues, in what has got to be known as "the multiplex boom".

Other than discussed above the key growth opportunities for multiplexes are as follows:

a) Highly fragmented industry
The Exhibition business is currently highly fragmented, with no single entity having control over a large number of theaters. This offers an opportunity for a multiplex player to set up a chain of multiplexes and thus build control over a large number of screens. With increasing control on screens the bargaining power increases with distributors, vendors and other suppliers.

b) Growing corporatization:
Over the last 5 years, the Film Industry is gradually getting corporatized. Several production houses have also raised capital from the equity markets. This is resulting in a growth in the number

of films produced by top quality producers / directors. A lot of niche / innovative films are also being produced by such production houses. All this is directly beneficial to Multiplexes.

c) Alternate sources of content

Internationally there has been experimentation in the content that a multiplex screens provides. The kind of software content that has been experimented is live sporting events- Football, Cricket, Formula 1 -grand prix, music concerts, beauty pageants, etc. These are new windows of opportunities in addition to existing film based content.

d) Easier availability of capital

Growing corporatization in the Film Industry and retail sector has had a positive impact on the availability of capital. This has led to easier availability of capital.

e) Quality of assets

Films are a key destination for entertainment. Exhibition is the last mile in the film value chain where the patron interacts with the film. The poor condition of most single screens has turned away family audiences. Multiplexes offer the quality ambience and service levels. Although multiplex tickets are usually priced at a premium to the ticket prices of single screens, they continue to attract patrons (both individuals and families) on account of the better quality of service and ambience that they provide.

f) Spending on movies

Also aiding the above from 1999 to 2003, the average Indian household increased its spending on movies and theatre as a percentage of its disposable income from 1% to 4.6%. *(Source: BW Marketing Whitebook, 2005.)*

g) Increase in Number of High Grade Hindi Films

Demand for a particular movie is generally driven by both its critical reviews and word of mouth from patrons. An increase in the average quantity of high grade Hindi films released per week should increase the total demand for movies, as these movies tend to be more popular.

As shown in the table below, from 2001 until 2004, there was an increase 48% in the number of releases per week for high grade Hindi films.

	2001	2002	2003	2004
Average number of high grade Hindi films released per week	1.15	1.46	1.58	1.71

Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005

Increasing corporatisation of the film production sector should result in an increase in the number of high quality films produced, which should increase demand for movies. In an increasingly corporate environment, unviable movies with weak scripts should find it difficult to garner funding. Consequently, although the average number of films produced annually in India is expected to fall from over 900 in 2004 to around 600 by 2010, the quality of the movies produced is expected to increase. *(Source: CII - KPMG Report, 2005)*

h) Digital Cinema Technology

Traditionally, motion pictures are filmed using 35 millimeter celluloid film cameras. Digital cinema departs from the traditional film-based technology and relies on emerging digital technology. Motion pictures are filmed and digitalized. Once digitalized, motion pictures are capable of being stored using digital media such hard disks, and transmitted through physical media such as DVDs as well as high-speed networks such as satellite or optical fiber connections. At cinemas, the digitalized motion pictures are screened using special digital projectors.

The key drivers for a multiplex business are:

a) Geographic positioning (location)

Location is a key aspect for the success of this business. A strong presence in important markets within a city or across cities, in addition to commanding higher prices and driving occupancies, would also provide the theatre owner leverage with the distributor / production house in sourcing content and negotiating more favourable terms.

b) Quality of assets

The quality of assets refers to the quality / condition of the theatre. A theatre with superior design, state of the art layouts, projection angles, sight lines, stadium seating, projection and sound systems, international quality large screens etc. would be a far superior experience for the Movie watchers. Softer features like superior ambience, tasteful interiors and air conditioning further add to the overall consumer experience. This also allows theatre owners to command higher ticket and concession prices over conventional theatres.

c) Better Occupancy: Multiplexes have multiple screens, with different seating capacities. The multiplex operator can choose to show a movie in a larger or a smaller theater, based on its expected potential. This enables the Multiplex operator to maintain higher capacity utilization, as compared to a single screen.

d) Greater number of shows: Each film has a different screening duration. Since multiple films are available for screening, the multiplex operator has the flexibility to decide on the screening schedule so as to maximize the number of shows in the multiplex, thus enabling it to generate higher number of patrons.

e) Better exploitation of a Film: Typically, a Film has a large audience in the first week of release. A multiplex operator could therefore commence screening by showing the film on multiple screens in the first week, and then gradually reduce it to one screen and finally moving it to the smallest seating hall within the complex. This enables better exploitation of the revenue potential of the film.

f) Better Cost Management: A multiplex complex will benefit from a set of shared facilities, such as the Box Office, Food &Beverage Facilities, Utilities and Common Manpower, resulting in better cost management.

g) Operating efficiencies

Operating (theatre level) expenses need to be kept in control. Inventory (film) management, vendor relationships and staffing are areas where the exhibitors have the greatest control over their costs.

h) Regulation

In India, regulation is one of the key drivers for the success of this business. There are essentially two types of regulations involved, fiscal regulations and building and operating regulations.

Film exhibition is subject to a number of taxes at the Central, State and Local level. The incidence of tax on this industry is probably the highest. Entertainment tax, the key levy on this industry, varies from state to state and ranges between 30% to 100% of net ticket price. Prohibitively high level of taxes has been the key detrimental factor in hindering the progress of the film exhibition industry in India.

Recently however, the Government of India and some State Governments have taken steps to encourage investments in the film exhibition sector and have introduced an Entertainment Tax holiday to newly constructed multiplexes. Many States are also reducing entertainment tax rates for all cinemas, to encourage the industry.

Most States, also prescribe building and operating regulations, through the respective State Cinema Rules. These regulations have an impact on how multiplexes are built, and operated. The entertainment taxes are expected to be rationalized in future.

D. OPERATING MODELS FOR MULTIPLEXES

In order to set up and operate a multiplex theater, several forms of business arrangements may be looked at. The choice of one form of business arrangement over another would largely be based on business, legal; tax and other regulatory considerations. The main operating models for setting up and operating a multiplex are as given below:

a) Ownership Model

In this model, the operator would either purchase the land and construct and fit out the multiplex, or just purchase a building or part thereof, built to specifications, and then fit out the multiplex.

This model is suitable where the lease rentals are very high and where capital is available at a very low cost. It is easier to finance this model as there is a tangible security available.

However this model usually requires larger amounts of capital. Further since development of property may not be the core competence of an operator this model may have a longer gestation period. However, the operator has better control over the property development, than what he would have otherwise.

b) Lease / Leave and License / Conducting Agreement Model

The multiplex property may be acquired on lease / leave and license / conducting agreement basis (all called "lease" hereafter, for brevity. There are three ways of entering into a lease which are as follows.

- Fixed Rental Model – In this model the operator leases out the civic shell from the developer and invests in the fit-outs of the multiplex. Since the Multiplex Operator invests only in the fit-outs, as against the entire properly, this model is more capital efficient. However, leases are usually for a finite period, and the real estate would revert back to the owner at the end of the lease, unless renewed.

- Fixed Rental plus variable as a percentage of sales - This model is very similar to the Fixed Rental Model, except that the fixed rental paid in this case is lower than the rental paid in the "Fixed Rental Model." This is compensated for by the Multiplex Operator by sharing a part of the revenues generated by the Multiplex. This model is followed at locations where it is difficult to get a fix on the revenue potential of the Multiplex, or the location poses a higher risk due to increased competition. Thus, this model is essentially a risk mitigation variant of the Fixed Rental model.

- Lease of existing theaters and conversion into a multiplex (Retrofit) – The Multiplex Operator leases an existing theater, refurbishes it and converts it into a multiplex. The lease rentals in this model are generally lower. This model is more prevalent in locations, where mall development is comparatively slower, or the locational advantage of the property is exceptionally good.

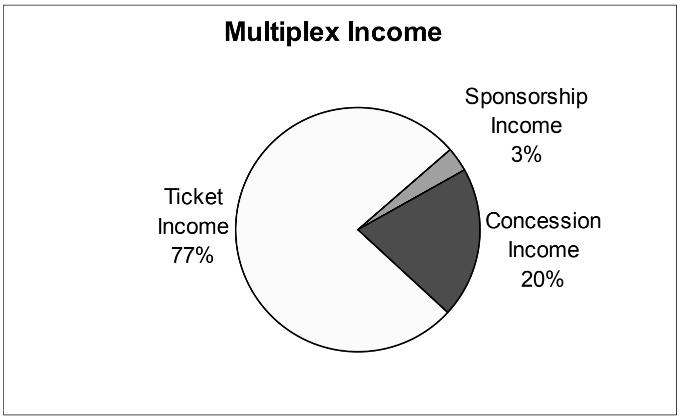
c) Theater Management Model

In this model, a Developer constructs the necessary infrastructure of the multiplex and outsources the operations to a Multiplex Operator for a fixed period of time. The Multiplex Operator charges a Fixed Fee or a share of the revenue/profits from the Multiplex. The Operator may also build in a performance-linked incentive in the Fee structure. The depreciation benefit from the Multiplex accrues to the Developer.

This model is the most risk efficient model for a Multiplex Operator. However, the Multiplex Operator may not always be able to lock-in the Multiplex for a large period of time.

E. THE MULTIPLEX MODEL

a) Revenue Streams



Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004

Ticket income, Concession, (Food & Beverage (F&B)) income and Sponsorship (Advertising) income are the three streams of revenues for a multiplex. Ticket income is the largest contributor to the of multiplex income pie. Over the last few years, there has been a lot of importance given to concession income by theater owners. This is because the margins of this revenue stream are generally high. Advertising revenue is another source of income for the theater owners.

b) Negative working capital

In the theater business, the entire collections from Customers are collected in cash. The Multiplex gets credit from its various suppliers, including most of the Film Distributors and Vendors. Hence, usually multiplexes operate with negative working capital.

c) Cost

The main cost components of a multiplex are Entertainment Tax, Distributor Share, F&B cost Personnel Cost, Property Rentals, Utilities, Marketing Cost and Others.

- Entertainment Tax
  This is one of the largest costs of a theater, except in cases where the Entertainment Tax rebate is available. This rebate is available in certain states subject to the fulfillment of certain conditions. In case the rebate is available the entire rebate adds to the profits of the Multiplex Operator.

- Distributor Share
  Distributors are film content suppliers to Exhibitors. Distributor share is paid as a percentage of the remainder of the total box office collection after netting off all taxes (actual or notional).

- F&B
  This is the cost incurred in sourcing various food and beverages from the vendors.

- Personnel Cost
  Personnel cost includes salaries and other cost associated with employees and other workers at each theater. This also includes the cost of training required to deliver the high levels of service.

- Rentals

Typically these are monthly rental on long term leases which are paid out to the property owner. This expense would not be seen in cases where the entire property has been bought out.

- Utilities
  Utilities include electricity, water, security charges, etc required for running the multiplex.

- Marketing Cost
  This includes spends on newspaper advertising, hoardings, posters, and the related creative cost.

- Other Cost
  This includes other expenses like maintenance, telecommunication expenses, IT etc.

F) THE MULTIPLEXES ADVANTAGE

Multiplexes are gaining increased acceptance from producers and distributors. In the past, the producers and distributors had no way of verifying the collections of cinemas and had to rely on information from exhibitors. Now all three segments of the value chain, i.e., the producers, the distributors and the exhibitors are working together for transparent information sharing and are increasingly using a risk - revenue sharing model rather than a risk transfer model.

Of an estimated 12,900 active screens, over 95 percent are stand-alone, single-screens. *(Source: CII - KPMG Report, 2005)*. Out of this, around 20-25% are mobile cinemas which cater to the smaller towns and cities in the interior towns and cities of the country. Development of multiplexes has been strong in metros, mini metros and larger towns. Going forward, it is likely that the growth in multiplexes will continue and will be catalyzed by rationalization in entertainment tax.
Despite the significant advantages of multiplex cinemas, the percentage of cinema screens that are in multiplexes in India is negligible, since the multiplex industry is only a recent phenomenon and is in a nascent stage of growth.

Location of Multiplexes

There are 73 multiplexes operating in India currently with a cumulative seating capacity of 89470 spread across 276 screens. The table below shows the number of multiplexes classified on the basis of geographic region and city. (*Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005).*

Top six multiplex operators operate 34% of total multiplexes, 41% of total screens and 37% of total seats. Multiplexes constitute 0.6% and 2.3% of total film exhibition properties and screens operating in India (1.6% of film exhibition properties and 6.1% of cinema screens, if one were to compare the number of multiplexes with around 4500 screens playing Hindi films). *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005).*

Region	Number of Multiplexes
West	42
North	23
South	5
East	3

Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005

It is evident form the data shown above that a larger number of multiplexes are concentrated in Northern and Western India This is because the State Governments in these regions were the first ones to announce entertainment tax exemptions on multiplexes, or rationalization of entertainment tax levels, which catalyzed development of multiplexes.

Since Southern India and Eastern India are traditionally weaker markets for Hindi films, majority of box office collections in Indian multiplexes is contributed by Hindi and English film.

Number of Multiplexes (Screens and Seats)

Majority of these multiplexes had 3 screens. The table below enlists the number of multiplexes sub-divided by number of screens and seats.

Number of Screens	Number of Multiplexes	Number of Screens	Number of Seats	Seats/Screen
3 Screens	40	120	43143	360
4 Screens	21	84	25862	308
5 Screens	6	30	10148	338
6 Screens	4	24	6991	291
More than 6 Screens	2	18	3326	185
Total	73	276	89470	Average: 296

Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005

Multiplexes with 3 screens have the highest number of seats per screen as shown in the table above. While multiplexes with 6 or more screens have a higher number of screens, average number of seats per screen is lower in such multiplexes than 3, 4 or a 5-screen multiplex. This shows that film exhibition infrastructure with larger number of screens is targeted at giving consumers more choice in terms of viewing options rather than building a larger number of screens with large capacities. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

Revenue Earning Capacity
Based on the Gross Box Office Collection ("GBOC") available for Hindi films released in 2004, these multiplexes constitute 28-34% (depending on 35-40% occupancy) of total GBOC for Top 50 Hindi films and 21 -25% of total GBOC for all Hindi films. GBOC for all Hindi films have increased by INR 2390-2701 mn (depending on 15-30% leakages) between 2001 and 2004 and GBOC of Hindi films attributable to multiplexes ranges between INR 2465-2981mn. This highlights the invaluable role played by multiplexes in the growth of GBOC for Hindi films since 2001. More than 240 screens spread across 60+ multiplexes with a cumulative seating capacity of 55000-60000 seats are slated to commence commercial operations by the end of 2006. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

Box office Collections
As mentioned earlier, there are only 73 multiplexes comprising 276 screens operating in India as compared to approximately 12,000 cinema halls in India. Multiplexes thus constitute 0.6% of total cinemas halls and 2.3% of total screens in India. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

Multiplexes have tremendous importance in box office collections, cinema attendances and per capita attendance for Hindi films. These multiplexes have a total capacity of 89,470 seats with an average seating capacity of 296 seats per screen. Average ticket price for these multiplexes is in the region of INR 75-85.

Depending on average occupancy levels of 35% - 40%, these 73 multiplexes account garner gross box office collections between INR 3658 - 4180 mn. In order to understand importance of these collections, it is important to sub-divide and compare these collections for relevant Hindi Films.

Parameter	Occupancy @ 35%	Occupancy @ 40%	Formula
Total Collections from Multiplexes	3658	4180	A
Less Regional Films @ 5%	(183)	(209)	B
Total Collections of Hollywood Films	1800	1800	C
Less Hollywood Films@55%	(990)	(990)	D
Hindi Film Collections from Multiplexes	2485	2981	A-B-D
Gross BO Collections of Top 50 Hindi Films	7688	7688	E
Add 15% for Other Films & Leakages	1153	1153	F
Adjusted Collections from Hindi Films relevant for	8841	8841	E+F

this Study			
Proportion of Collections for Hindi Films from Multiplexes	28%	34%	(A-B-D)/ (E+F)

Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005

It has been assumed that 55% of total collections from Hollywood Films in India are constituted by multiplexes. It has also been assumed that regional films constitute 5% of total collections from multiplexes. Regional films are particularly strong in Southern India, which has only 5 operating multiplexes presently. Therefore, the assumption of 5% collections from regional films is reasonably conservative.

Computation on average occupancy level of 35% and 40% reveals that gross box office collections of Hindi films from multiplexes constitutes 28%-34% of total box office collections of Top 50 Hindi films on the basis of data available for 2004.

Thus, 0.6% cinema halls and 2.3% screens in India constitute 28-34% of total reported box office collections of Top 50 Hindi Films. As mentioned earlier, Hindi films play in about 4500 screens and therefore, it is more relevant to compare collections from these multiplexes with 4500 screens. On this basis, 1.6% of cinemas halls and 6.1% of cinema screens (playing Hindi films) in India constitute 28%-34% of total reported box office collections of Top 50 Hind Films.

It should be noted that this data on multiplexes is as of March 2005 and therefore, comparing collections for 2004 is not completely accurate as some of these multiplexes were not fully operational in 2004.

However, the analysis presented above emphasizes the importance of multiplexes for the Hindi film industry. Going forward, as multiplexes increase in number, proportion of box office collections for Top 50 Hindi films coming from multiplexes will increase further from the 28-34% range computed above.

Key players

From all the above it is observed in a short span of time, there has been a significant increase in the number of multiplexes in India. The key players in India (other than Inox Leisure Limited) include PVR, Adlabs Films, E-City Entertainment, Shringar Cinemas and Wave Cinema. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

The Indian film exhibition industry has traditionally operated in a fragmented business environment with most of the cinema halls being run as family owned business by individuals through ownership structures involving proprietorships and partnerships. Since 2000-01, the film exhibition industry has witnessed entry of corporate players, most of which are focusing on development of multiplexes Major corporate players engaged in development of multiplexes (as of March2005) are listed below.

- **PVR Cinemas** setup India's first multiplex in 1997 at Delhi It operates 34 screens spread across 7 properties. The Company has been funded by ICICI Venture and is in final stages of closing second round of equity funding for future expansion PVR Cinemas is focusing on developing multiplex properties in Northern, Western and Southern India (Bangalore & Hyderabad).

- **Adlabs Films**, market leader in the film processing business for Hindi films, started developing film exhibition properties in 2000 with IMAX Dome Theatre in Mumbai. Adlabs Films currently operates 14 screens spread across 4 properties. It is focusing on Western, Southern (Bangalore, Hyderabad, and Mangalore) and Eastern India (Kolkata).

- **E-City Entertainment,** part of the Essel Group ,also started developing multiplexes in 2001 and currently operates 14 screens spread across 3 properties The Company is focusing on Northern and Southern India (Bangalore, Hyderabad) for further development.

- **Shringar Cinemas**, managed by promoters who have been one of the largest film distributors in Western India for Hindi films, currently operates 14 screens spread across 3 properties. The

Company is focusing on Western India, Southern India (Bangalore, Hyderabad) and Eastern India (Kolkata) for future expansion.

- **Wave Cinemas** has been promoted by Gini Arts, a major film distributor in Northern India. Wave Cinemas currently operates 13 screens spread across 3 properties. With existing operations in Noida, Kaushambhi and Lucknow. Wave Cinemas is a regional player focusing on Northern India.

Company	**# of Properties**	**# at Screens**	**# of Seats**
PVR Cinemas*	7	34	7333
Inox Leisure Limited#	5	25	7344
Adlabs Films*	4	14	5666
Shringar Cinemas	3	14	4588
Wave Cinemas	3	13	4380
E-City Entertainment	3	14	3952
Total	**25**	**114**	**33263**
% of All India	34%	41%	**37%**

* Only film exhibition properties with 3 or more screens have been considered for this analysis
Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005

 # For details of current properties please refer to section titled "Our Business" beginning on page 85 of this Draft Red Herring Prospectus.

Six largest multiplex operators of India tabulated above operate 114 screens spread across 25 properties with a cumulative seating capacity of 33,263. This constitutes 34%, 41% and 37% of India's total multiplex properties, screens and seats respectively.
(*Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

Going Forward

Proportion of box office collections contributed by multiplexes will increase further over the next 18 months as a large number of multiplexes under development have larger seating capacities and majority of them constitute 4 or more screens. While occupancy levels of 35% might appear to be on the lower side, box office collections from multiplexes still make a definitive statement on the importance of multiplexes for the Hindi film industry. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

Since increase in attendances in multiplexes is not directly proportional to the decrease in attendances for single screen theatres (multiplexes have grown the total market and cinema attendances), growth of multiplexes will increase the overall revenue generation for Hindi films, in turn increasing the revenue flow-back to the film chain. Another positive impact of multiplexes is that it leads to transparent and organized box office reporting. Hence, slowly but definitively, issues and doubts related to transparency of box office reporting are likely to reduce with the expansion of film exhibition infrastructure through multiplexes.

Over the next 18-24 months, six of the largest multiplex operators in India mentioned earlier are likely to commercialize approximately 200-240 screens spread across 50- 60 new multiplexes. These multiplexes will have a cumulative seating capacity in excess of 55000-60000. Furthermore, there will also be an increase in number of multiplexes operated by smaller players, who constituted 66% of total multiplexes as of March 2005. It is estimated that number of operating multiplexes in India will increase by 80-100% by end of 2006. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

By the end of 2006, 135+ multiplexes will house more than 160,000 seats spread across 500+ screens. These multiplexes will have significant direct positive impact on the business economics of film production, financing, distribution and exhibition and indirectly on other ancillary markets. *(Source: Bollywood Emerging Business Trends & Growth Drivers - Yes Bank Report May 2005)*

3. FILM DISTRIBUTION

Film Distributors are an important link in the film value chain. Film Distributors buy theatrical distribution rights from Film Producers for exhibiting the films in a defined territory. Film Distributors play various roles including:

- part-financing of films (in case of minimum guarantee / advance based purchase of movie rights)
- localized marketing of the film
- selection of exhibition halls, and
- managing the logistics of physical prints distribution

The key skills of the Film Distributor include

- understanding of audience tastes
- understanding revenue potential for various films
- relationships with producers & exhibitors, and
- extensive knowledge of past performance of theaters for various genres of films
- logistics & supply chain management

The Distributors' business models include two parts viz. the Revenue Model (Exhibitor - Distributor) and the Cost Model (Distributor – Producer). These models are explained below:

A. REVENUE SHARING MODEL (EXHIBITOR – DISTRIBUTOR)

The distributor sells the theatrical right of the films to the exhibitor. One of the following four models is normally adopted:

a) **Theater Hire Model:** The Exhibitor collects the entire box office collections, net of entertainment tax. The Exhibitor retains a fixed amount and hands the balance net collection to the distributor. . The entire risk of box office performance of the film is borne by the Distributor.

b) **Fixed Hire Model:** The Distributor receives a fixed amount, per week, from the Exhibitor, irrespective of the Film's performance at the box office. The entire risk of box office performance of the Film is borne by the Exhibitor.

c) **Minimum Guarantee plus Royalty Model:** The Distributor receives a minimum guaranteed amount, per week, from the Exhibitor. Any box office collections, net of entertainment tax, in excess of the minimum guaranteed amounts are shared between the Distributor and Exhibitor in a pre-agreed ratio. The entire risk of box office performance of the Film is borne by the Exhibitor.

d) **Revenue Share Model:** The box office collections, net of entertainment tax, are shared between the Distributor and Exhibitor in a pre-agreed ratio. The risk of box office performance of the Film is shared between the two.

In recent past, especially with the advent of multiplexes, the Revenue Share Model is being followed more often.

B. COST MODEL (DISTRIBUTOR – PRODUCER)

The key cost elements for a Distributor include cost of acquiring distribution rights, film print (positives / reels used for screening) costs and publicity costs.

The Distributor procures domestic theatrical distribution rights and overseas theatrical distribution & DVD rights of a Film from a Producer for distributing in a specified distribution Territory. In the Indian Film Industry, the distribution territories are divided as follows:

Name of Territory	Major Areas Covered
DOMESTIC	
Bombay, Goa	Bombay city and suburbs, Thane district, Gujarat, Saurashtra and parts of Maharashtra and Karnataka
Delhi-UP	Delhi city and suburbs and Uttar Pradesh
East Punjab	Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir
Eastern circuit	West Bengal, Bihar, Nepal, Assam and Orissa
Central Province, Central India & Rajasthan	Rajasthan and parts of Madhya Pradesh and Maharashtra
South	Andhra Pradesh, Tamil Nadu, Kerela and parts of Maharashtra and Karnataka
INTERNATIONAL	
USA, UK and the rest of the world	

There are three types of Distributor – Producer revenue sharing models, which are summarized below:

a) **Minimum Guarantee plus Royalty Model:** The Distributor acquires the right to distribute a film in a particular territory, for a limited period, by paying a minimum guarantee to the Producer. The excess of Distributor revenues over the minimum guarantee, print & publicity costs and distributor's commission is called Overflow. The Distributor shares the Overflow with the Producer in a pre-agreed ratio.

b) **Commission Model:** The Distributor retains a Commission on the total amount collected from the Exhibitor, and remits the rest to the Producer. The Distributor may pay a recoverable advance to the Producer, while acquiring the distribution rights. Such advance is usually adjusted against the remittances to be made to the Producer. The Distributor does not bear any risk of the box office collections.

c) **Outright Sale Model:** The Distributor purchases the entire rights for the territory from the Producer.
In the recent past, the Minimum Guarantee model is more prevalent for movies from reputed producers both in domestic theatrical territories and in the overseas market.

C. BUSINESS CHARACTERISTICS AND TRENDS

- Corporatization of film production entities is resulting in timely and better quality film productions
- In the recent past, some of the larger Producers have forward integrated into Distribution, especially into Overseas markets
- A number of new entrants have entered the Distribution business, resulting in an increase in acquisition cost for Distributors
- Distributors are trying to lock-in the content at a very early stage by financing film Producers.
- Distributors are playing an increasing role in marketing of Films
- New films are being released in satellite/video formats within a shorter period after theatrical release, thereby reducing the window for theatrical exploitation
- New films are being released across a larger number of theaters with a larger number of prints in order to maximize theatrical revenues in the shortest time period
- New distribution formats, like digital distribution – through DVD/Satellite – are being actively explored

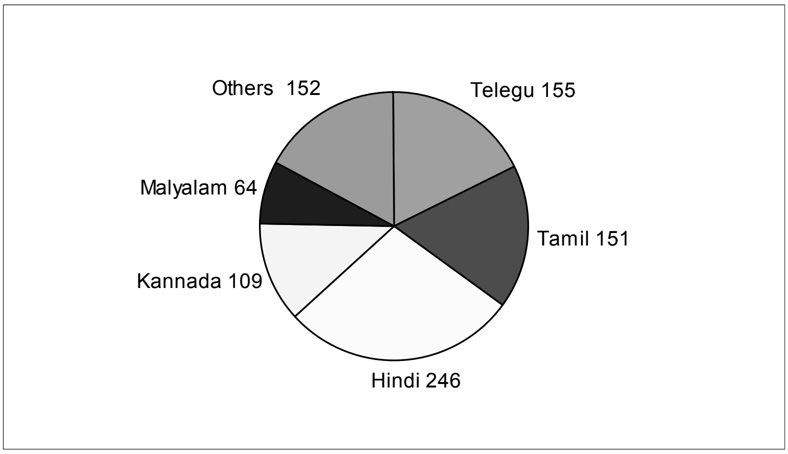
D. COMPETITION

The major players in distribution are VIP Enterprises, Yashraj Films, Shri Ashtavinayak Films, Shringar Films Private Limited, Rajshri, UTV, Gini Art, G V Mehta, Mukta Movies, Gunjan Films, PVR Pictures, Piyali Films etc.

4. FILM PRODUCTION

One of the key drivers for success of the Film Exhibition and Film Distribution businesses is the availability of movie content. In India, movie content is available in Hindi, Regional and English languages. The quantity and quality of movie content has an important bearing on the success of the Film Exhibition and Distribution businesses.

In 2003, the Indian Film Industry produced 877 films. While the majority of films were made in the South Indian languages of Telugu (155 films) Tamil (151 films) Kannada (109 films) and Malayalam (64 films) compared to 246 in Hindi, Hindi-language films took the largest box office share.



Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004

The year 2002 was a landmark year in the history of Indian films with the industry moving towards corporatization. Corporatization is not only limited to the structural changes involving emergence of corporate and studios to replace individuals for movie production but also it implies a fundamental shift in the way different elements of the Film Industry value chain including pre-production, financing, production, post-production and distribution are managed and run. This is likely to result in a scenario where movie making is governed by transparent and enforceable contracts and is carried out in accordance with global best practices. This will convert the Indian Film Industry from an aggregation of creative endeavor to a volume driven business.

Currently the Film Industry is witnessing a trend where the films are being increasing segmented. The producer clearly has in mind his target audience and makes the films accordingly. There are movies like Dil Chaahta Hai which cater to the younger generation and movies like Mr. and Mrs. Iyer which cater to a very mature audience.

During 2003, the Hindi Film Industry produced 16 films with gross domestic theatrical collections exceeding Rs. 10 crores each, as compared to 13 films in the prior year. In addition, a large number of medium to low budget films were also produced which had a high return on investments. *(Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004)*

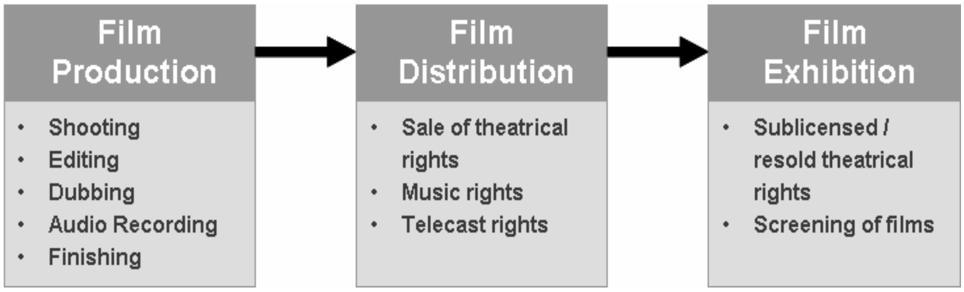
In addition the overseas market (theatrical, video and television) is becoming increasingly lucrative for Indian film productions because of a large and fast growing Indian Diaspora which is estimated at 20 million. (*Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004)*

The major players in production are Mukta Arts, Yashraj Films, K Sera Sera, Pritish Nandy Communications, etc

OUR BUSINESS

INTRODUCTION

The Film Industry value chain can be broadly categorized into three segments: film production, film distribution and film exhibition. These can be further largely classified as under:



OUR EXHIBITION BUSINESS SEGMENT

We are a primarily film exhibition company set up to carry out the business of setting up, operating and managing a chain of multiplexes which offers a rich experience to the consumer.

BACKGROUND

We were incorporated on November 9, 1999 and became a subsidiary of Gujarat Fluorochemicals Limited (GFL) on March 31, 2000, as part of growth and diversification strategy of GFL. We believe that GFL is India's largest manufacturer and exporter of refrigerants. McKinsey & Co Inc was mandated on March 24, 1998, to help GFL identify a business opportunity to diversify into and assist in framing an implementation strategy for the identified business opportunity. Based on the study undertaken by McKinsey & Co Inc, we decided to invest in the entertainment business by setting up a national chain of world-class multiplex cinema theatres (multiplexes).

This entertainment business, carried out through Inox Leisure Limited, was spearheaded by Mr. Pavan Jain, Mr. Vivek Jain and Mr. Deepak Asher, and the key persons heading the operations today are Mr. Manoj Bhatia and Mr. Alok Tandon.

EVOLUTION

We were set up to carry out the business of setting up, operating and managing a national chain of world class multiplexes under the brand name 'INOX'.

We opened our first multiplex, the Pune Multiplex in May 10, 2002 and have today a wide presence across 7 cities with 8 Operational Units having 32 screens and around 9,290 seats. The following is a summary statement of our operational multiplexes:

City	Location	Year of commencement of operations	No. of Screens	No. of Seats
Pune	Bund Garden	May, 2002	4	1316
Vadodara	Race Course Circle	October, 2002	4	1318
Kolkata	Elgin Road	September, 2003	4	1016
Kolkata	Salt Lake	June, 2004	4	1144
Goa	Panaji	November, 2004	4	1271
Mumbai	Nariman Point	November, 2004	5	1335
Bangalore	Magrath Road	August, 2005	5	1103
Jaipur	Vaibhav Nagar	October 2005	2	787

TOTAL	**32**	**9290**

With the successful establishment of eight multiplexes across the country, we are in a good position to utilize the learning and expand into new territories.

As part of our expansion plans we have identified one property each at Hyderabad, Chennai, Lucknow, Vishakapatnam, Raipur, Kolkata, Darjeeling, 2 in Bangalore and 2 in Jaipur.

We have commenced the process of acquiring the properties in respect of several of the above. In respect of a few we have completed the drawings and tendering process been started for supplies, the balance are in design stage. This will make us one of the few, truly national chain of multiplexes in the country.

For further details please refer to the section “Objects of the Issue” beginning on page 46 of the Draft Red Herring Prospectus.

In addition to the above three more properties have been identified at Indore, Kharagpur, and Bangalore. Indore is expected to commence early January 2006 and will be funded through internal accruals whereas the other two may be funded through a mix of internal accruals, equity and/ or debt.

Further we have entered into an alliance with Pantaloon Group of Companies (“Pantaloon Group”), by way of two Memoranda of Understanding dated October 27, 2005 with Pantaloon Retail India Limited and PFH Investment Advisory Company Limited (MoUs). The broad objective of this alliance:

3. for Pantaloon it makes available a high quality multiplex operator for all properties it is associated with; and
4. for us is that it provides preferential access to all real estate developments that Pantaloon is associated with through any of its group companies/ funds managed by it on competitive terms.

In terms of the said MoUs, in respectof all properties being developed by the Pantaloon Group, Inox shall be entitled to participate in negogiations for acquisition of the property (in case of third party acquuisitions), Pantaloon Group shall take Inox’s input on the key parameters on the layout and design on the multiplex component in that development, and shall offer the said multiplex area to Inox on preferential basis.

Our mission is to create India’s largest network of world class multiplex cinema theatres across all the leading towns and cities of India and be a leader in the Indian film exhibition industry, in terms of physical parameters like number of screens operational and quality of viewing experience, as well as financial parameters like revenues and profitability.

While consolidating our position in the exhibition business we have also made an entry in the film distribution business and have acquired distribution rights for certain Hindi film titles, in select distribution circuits. We intend to examine the nuances of the distribution business, including possible synergies with our exhibition business, to see if there is a scope for value enhancement through distribution. Of the several Hindi film titles Garam Masala, Kyon Ki and Ek Khiladi Ek Haseena have been released.

The key milestones in evolution of our business are as follows:

Year	Milestone
1999	Incorporated
2002	Launched multiplex at Pune Bund Garden and Vadodara with 4 screens each
2003	Launched multiplex at Kolkata, Elgin Road with 4 screens
2004	Launched multiplex at Kolkata Salt Lake with 4 screens
	Launched multiplex at Goa, Panaji with 4 screens (hosted the International Film Festival of India)
	Launched multiplex at Nariman Point, with 5 screens
2005	Launched multiplex at Bangalore with 5 screens
	Launched multiplex at Jaipur with 2 screens

	Entered the Distribution business
	Won the Best Entertainment Retailer of the Year Award, 2005, at the ICICI Bank Retail Excellence Awards
	Entered into MoU with Pantaloon Group, for preferential access to multiplex areas in all real estate developments with which the Pantaloon Group is associated

DETAILS OF OUR OPERATING UNITS

Our current Operating Units are a mix of owned/leased models where we have the advantage of control over the property high return on investment and fast pay back period. Our long term plan is to acquire future properties on long-term leases, but we are open to consider acquisition of properties / assets, if that would be the right strategic choice.

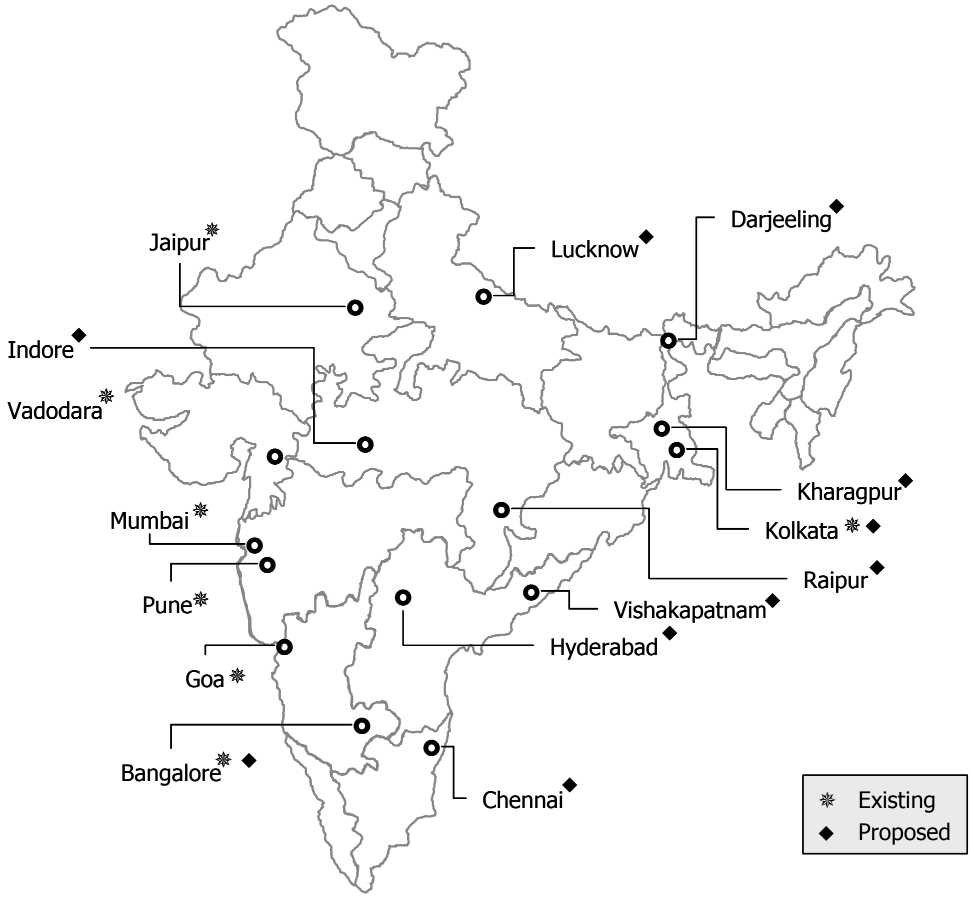
We propose to set up, operate and manage a national chain of world-class multiplexes under the brand 'INOX'.

All our multiplex properties are, and would be, located in premium locations in the respective town / city. They would symbolise excellence in design, ambience, features, safety and service. These would be fitted with state-of-the-art equipment, providing a superior cinema viewing experience comparable with the best cinemas across the world. These projects, being located in malls, would also feature other facilities such as restaurants, shopping and entertainment activities.

The key features common to most of our properties are:

- **Premium location**: All our multiplexes are located either in the central business district or in the affluent residential area of that town or city. Locational advantage is a key feature to our multiplexes. We firmly believe that a premium location is a key distinguishing feature of our multiplexes, providing long term strategic advantage over competition.
- **World-class design**: All our multiplexes are designed by renowned international architects, incorporating the latest design elements, to ensure that the audience gets a truly international viewing experience.
- **State of art projection and sound systems:** All are multiplexes are equipped with Dolby Digital Ex Surround and DTS sound formats. Most of our multiplexes have Harkness Screens with automated masking and Christie projection and looping facilities. This equipment is considered to be the best available in cinema projection and sound equipment.
- **Pleasant ambience:** State of the art seating arrangements (stadium styled pushback reclining seats with cup holder armrest), carpets, upholstery and interiors to create a unique movie viewing ambience
- **Multiple ticketing options:** Apart from direct box office bookings, online ticketing and facility for home delivery of tickets are also available across our multiplexes.
- **Concessions facilities:** We also undertake sales of concessions on the exhibition floor under the brand name "Refuel".
- **Complete family entertainment:** Most of our multiplexes, being located in larger retail malls, have leased space occupied by reputed international and national brands like McDonalds, Barista Coffee, Baskin Robbins and Pantaloons, which provide complete family leisure and entertainment options to our patrons.
- **Car parking:** All our properties have car parking facilities.

The following chart depicts our national presence, through our existing and proposed properties.



In the line with our overall objectives of building a pan-India presence of world class multiplexes, we have already opened multiplexes across several locations and have signed up at various other locations across the country. The details of our existing multiplexes are given below:

Existing

City	Model	Tenure of lease	Developer	Total area Developed by us /taken on lease (approx sq. ft.)	Multiplex Area (approx. sq. ft.)
Pune	Owned	NA	NA	109,000	44,000
Vadodara	Owned	NA	NA	71,000	40,000
Kolkata	Leased	24 years	Bengal Ambuja	NA	31,000
	Leased	24 years	Saraf Group	NA	30,000
Mumbai	Owned	NA	Piramal Group	27,000	27,000
Panaji	Leased	15 months	Government of Goa	NA	42,000
Bangalore	Leased	24 years	Euromar Garuda	NA	46,000
Jaipur	Owned	NA	Vaibhav Cine Multiplex Private Limited.	24,000	24,000

For details of the model adopted please refer to page 109 under the heading "Our Immovable Properties" in this section.

The key features of each of our properties are:

Pune Multiplex

This 4 screen, 1316 seater multiplex is strategically located amongst the most affluent residential areas of Pune, with Bund Garden Road, Boat Club Road and Camp on one side, and the high traffic commercial areas like MG Road, Pune Railway Station etc. on the other side. In addition to the multiplex we have developed a mall lobby, utilities or leased out for other retail development, to tenants like McDonalds, Pantaloons and Barista. The multiplex was designed by TK Architects, leading US architects, and was fitted with state-of-the-art cinema equipment. The multiplex also has basement parking facilities which is another 54,000 sq. ft. in area.

Vadodara Multiplex

This 4 screen, 1318 seater multiplex is located at Race Course Circle, which is amongst the most premium localities part of the city, being located in the midst of affluent residential area, and less than a kilometer from the commercial districts of R.C. Dutt Road and Alkapuri. In addition to the multiplex we have developed a mall lobby on the ground floor for other retail development, which has been leased out to tenants like McDonalds, Pantaloons and Café Coffee Day, Weekender, Baskin & Robbins and others. This multiplex was also designed by TK Architects, and fitted with state-of-the-art cinema equipment. The multiplex also has parking facilities which is another 30,000 square feet in area.

Elgin Road, Kolkata Multiplex

This 4 screen, 1016 seater multiplex at Elgin road, Forum is located in the heart of Kolkata. It has been designed by New Zealand-based Walker Architects. The mall consists of retail outlets like Shoppers Stop, Pizza Hut, Nike, Homestore, Music World, Lacoste and others.

Salt Lake City, Kolkata Multiplex

This 4 screen, 1144 seater multiplex at Salt Lake City is amidst the affluent residential and commercial centres of the city. It has been designed by New Zealand-based Walker Architects. The mall consists of retail outlets like Shoppers Stop, Pizza Hut and others.

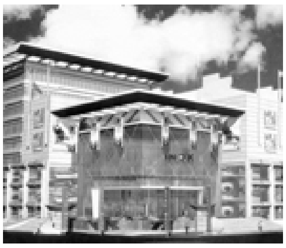
Goa Multiplex

This 4 screen, 1271 seater multiplex was built in a short span of 7.5 months from excavation to commissioning, to open its doors for the International Film Festival of India ("IFFI"). This is now a permanent venue for IFFI. It has also been designed by New Zealand-based Walker Architects. This is the first and the only multiplex in the entire state.

Mumbai Multiplex

This 5 screen, 1335 seater multiplex was a purchase of two floors of an already constructed property at CR2 a premium retail mall developed by a joint venture between L&T and the Piramal Group. The multiplex is located at Nariman Point, arguably the most premium real estate in the country today and the commercial district of Mumbai, India's financial capital.

The CR2 mall includes other tenants like Ruby Tuesday, Club Mahindra, Swarosky, Moti Mahal and others. This mall has a 6 level parking facility.



Bangalore Multiplex

This 5 screen, 1103 seater multiplex at Magrath road, Bangalore is amongst the most premium localities in Bangalore, at a short distance from MG Road, Bangalore's key commercial artery. It has been designed by New Zealand-based Walker Architects. The 3 level structure has a mix of retail, food and entertainment. The mall consists of retail outlets, including brands like Shoppers Stop, Pantaloon and others.

Jaipur Multiplex

This is for the first time that we have purchased an existing multiplex on the 2^{nd} and 3^{rd} floor housed in mall. This is a 2 screen, 787 seater multiplex and is situated in a prime location in Jaipur. The Mall hosts various leading brands like Reliance Webworld, Pizza Hut, Café Coffee day, Reebok and others, as its tenants. We plan to improve the level of ambience, and service to the same standards of our current multiplex and relaunch this as an Inox multiplex shortly.

The critical factor important to our business is the property where we plan to house the multiplex. From the 1^{st} stage of deciding on the property till operating the property there are key stages involved which are detailed below:

- **Selection criteria of property;**
- **Agreements;**
- **Site activities;**
- **Licenses and approvals.**

- **Selection criterion of property**

This is one of the most crucial elements. The key parameters for property selection would largely be whether the property to be developed/taken on lease is in a prime/"city centre" location and having a good catchment area. There should be a good developer associated with the property and available on viable commercial terms. In addition the property should attract good tenant mix to ensure maximum footfall.

- **Agreements**

Depending on the type of model we adopt – whether to own the property or enter into lease there are various stages of negotiations we enter into before acquiring the property. These can typically be classified as follows:

Property related

- **First stage:** Execution of the LoI detailing commercial terms and conditions with the owner/developer, and payment of token advance amounts. The LoI would contain certain pre-conditions for execution of Agreement;
- **Second stage:** Agreements being signed on achievement of pre-conditions contained in the LoI, and payment of pre-agreed portion of the toal consideration;
- **Third stage:** final agreements being signed and handing over of properties

With Vendors/Suppliers

For our key Multiplex theatre equipments, we either have preferred suppliers or we opt for a tender/quotation process.

After selection of vendors/suppliers and conclusion of commercial negotiations, depending on various parameters including the vendors/supplier's practice, nature and value of contract, quality of after-sales service, our relationship and comfort level with the vendor/supplier in question, the period of the contract, etc. we either enter into formal written contracts with them or place purchase orders with them.

- **Site activities**

Our site activities would depend on the property we propose to acquire, that is, whether there is construction of building involved (in case of acquisition of land), or whether we receive a core or a shell (wherein we have to construct the interiors of the Multiplex) or we acquire a completed Multiplex, necessitating only incidental changes. We have engaged Feedback Strategic Consultancy Services Private Limited, a professional project management company to assist us in project implementation, and to ensure in-time and in-cost.

- **Licenses and approvals required**

We require several licenses and approvals for setting up of and for running of our Multiplexes. The locational/construction-related licenses and approvals are acquired by us/builder/developer either before or simultaneously with site activities. There are several intermediate approvals required by us (depending on the State in which the Multiplex is located), which form a part of the construction/renovation process. Subsequent to the construction/renovation being completed as per rules and regulations of respective States, the relevant authorities issue the license to operate the Multiplex.

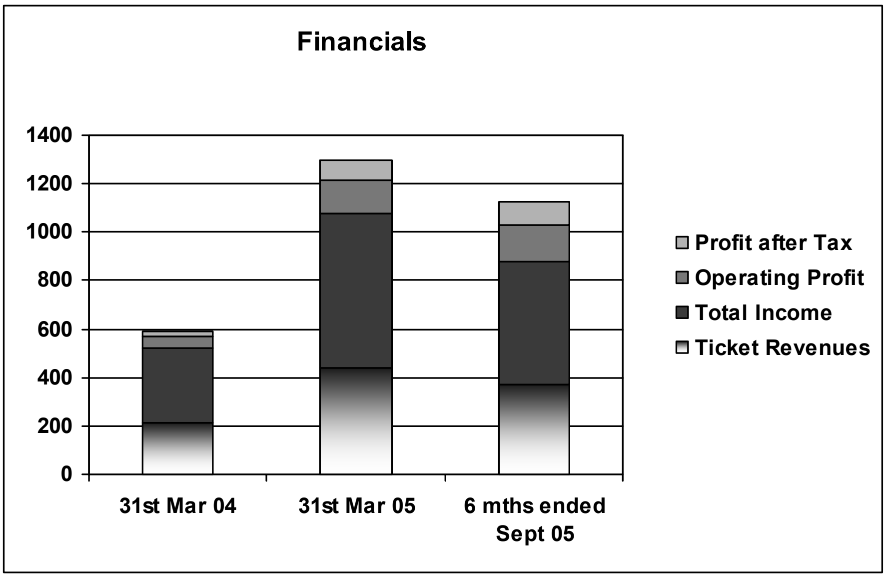
Our key financials year on year and for the half year ended September 30, 2005 is as under:

(Rs in million)

	March 31, 2004	March 31, 2005	Six months ended September 2005
Ticket revenues	211.04	438.54	372.68
Total income	310.27	637.68	508.08
Operating profits#	46.17	140.96	146.32
Profit after tax	24.82	82.08	97.23

Profits after depreciation before interest

(Rs in million)



The key function areas essential to our business are detailed below:

1. Programming
Programming is one of the most important departments in any film exhibition business. The programming department is responsible for the regular supply of films to all our screens. The main objective of the programming department is to source the right films for the right market (based on thorough analysis of the profile of the market), at the most competitive terms, and screen the films in a manner and at the show that enables maximization of revenues from each film.

Programming, or sourcing of content for our screens, is a centralised function. However, decisions on programming are taken at the Corporate Office based on inputs from heads of respective multiplexes, in respect of local factors including tastes and preferences of the patrons in the areas where the cinemas are based. Programming is usually done on every Monday after a careful assessment of the collections during the weekend of the current and past week's releases. Based on capacity available, a programming mix of Hindi, English and Regional films is finalised.

2. Operations

This department takes care of the day to day operations of the multiplex and ensures its complete compliance with the highest standards service, comfort and safety. The key responsibilities of this department include ensuring the patrons are provided with the highest standards of friendly and proficient service, in an environment that provides a high degree of comfort, pleasure, sanitation and hygiene, and with fully regard to all norms of safety against hazards of fire, etc.

Each of out multiplex operates as an independent Operating Unit, headed by a General Manager. The teams in each of our Operating Units report to the General Manager of the Operating Unit. The function of various departments in a Operating Unit can be broadly classified as under:

- **Box office and Tele-Sales**: All our multiplexes provide a single window service for sale of tickets with a totally computerized and networked environment through highly customized software, catering to multiple choice of screens and movies. Box office sales are supported by a Tele-Sales team that not only provides the patrons the ability to book tickets from comfort of their homes, but also provide information for all movie related queries. Patrons also book tickets through the SMS and Internet route

- **Concessions:** The concession / candy / snack bar is called Refuel. Refuel follows the station concept with multiple counters offering all products, emphasizing speed, efficiency and courtesy of service. Refuel also features modern touch-screen computer terminals, networked with our integrated box office software, thus reducing transaction time and queuing. While popcorn and aerated waters (like colas) remain the focus of our concession stands, we have have also been successful in taking cinema snacks to a higher level, by offering pre-packed items, like sandwiches, samosas, puffs, etc. to encourage impulse buying.

- **Ushering:** This department handles the challenging task of coordinating the movement of patrons within the cinema and in multiple auditoriums in the multiplex in an efficient and friendly way.

- **HR &Training:** This department services the needs of the Operating Units for all matters relating to human resource and training. One of the key strengths of our employee is the high level of training where our HR department has been successful in setting an industry standard.

- **Projection and Engineering:** This department is responsible to ensure maximum uptime for all our cinema equipment, and a high quality, comfortable and safe movie viewing experience, by ensuring preventive and breakdown maintenance of all equipments pertaining to projection, sound, air-conditioning, safety, etc.

- **Finance:** This department ensures an accurate capturing of revenues, booking of costs, safeguarding of assets, and ensuring proper controls and documentation for inhouse and statutory compliance.

- **Housekeeping:** This department is directly responsible for the hygiene, upkeep and maintenance of the multiplex. This department plays a key role in ensuring that our Operating Units are known for their superior upkeep and maintenance. This department is outsourced.

The operations department is also responsible for implementing standard operating procedures, ensuring that our patrons get the same high quality of service and amenities across all our Operating Units in India.

3. Marketing

Our marketing department is responsible for extending, formulating and maintaining the position of our brand. In addition, the marketing department is the interface for patrons. It organizes promotions, events, campaigns and contests to attract patrons to the multiplexes. It is also responsible for our branding alliances, and meeting our advertising revenue targets.

The department consists of a Vice President at the Corporate Office who is assisted by the marketing manager of each Operating Unit and a central team comprising of brand manager, promotion manager and manager for alliances. A head of public relation ("PR") handling corporate communications and PR of all Operating Units is also part of the team. Each of the marketing managers in the Operating Units is assisted by a marketing executive and in some Operating Units also a PR executive.

We get assoictaed with known PR agencies to assist us in PR for launch of our various properties. It helps us in getting good media milage during the time of the launch.

The department's goal is to present our brand as the finest in the exhibition industry. Our slogan 'Live the Movie' demonstrates that we are dedicated to provide a holistic entertainment experience to our patrons.

Other medium to attract audiences to the multiplex are direct mailers, newspaper advertisements, internet, outdoors, radio and alliances with brands In addition the following marketing tools are used to create awareness amongst the patrons:

Loyalty Clubs

We identify premium and frequent customers through our feedback forms and data generated from contest forms. This database has more than 25000 members across India. We plan to start a loyalty program to reward our customers with certain privileges like invitations to premiers, special events etc.

Promotions

The presence of tenants within the mall, with good brand value, enables us to conduct joint promotions with the other tenants and increase footfalls.

We also do movie promotions with specific big movies – Hollywood and Bollywood, where we offer to the patrons various gifts like movie merchandise, invites to premier and tickets to the movies. This is promoted inhouse and through the various FM radio channels.

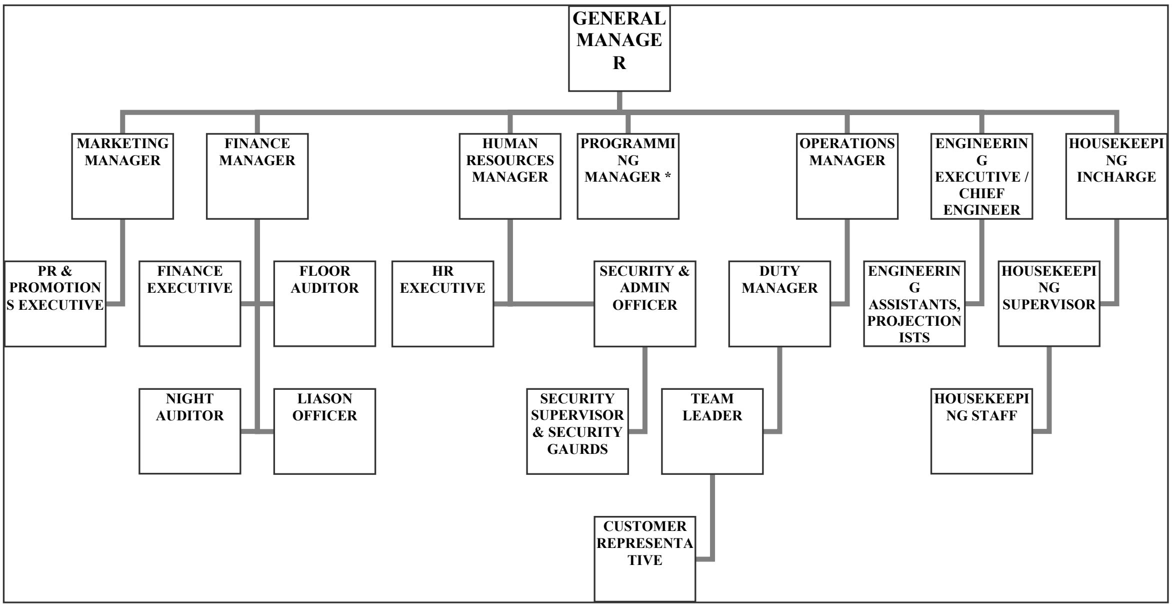
We also house various festivals in different cities like Pune International Film Festival, International Film Festival of India in Goa and Asian Film Festival in Mumbai.

We have major alliances with Airtel, Hutch, and other such brands. We also do promotions with various other brands including Kaya Skin Clinic, LeOreal, Cadburry, Kingfisher Airlines, Mercedes Benz, Maruti, Hyundai, ITC, Asian Paints, Coca-Cola and Taj Hotels.

Star Visits

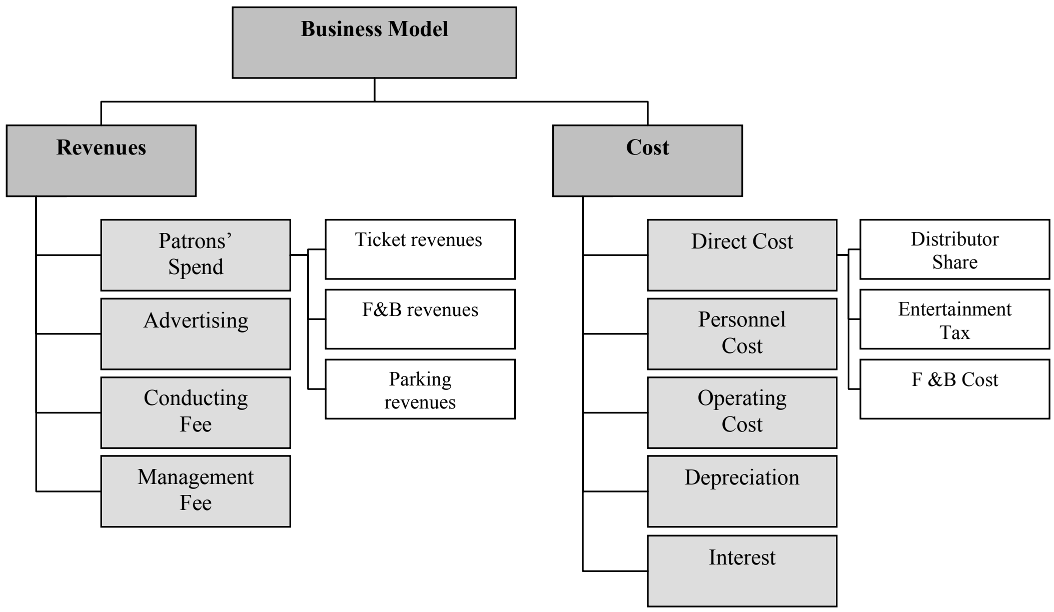
The purpose of celebrity visits is to make the movie experience memorable as the patrons interact with their favourite stars thereby attracting crowd and increase box office collections. We have had Aamir Khan, John Abraham, Anil Kapoor, Esha Deol, Hema Malini, Pooja Bhatt, Vikram Bhatt, Vivek Oberoi, Kim Sharma, Jimmy Shergill and several other stars, visited our multiplexes. We also get cricketers/ famous sports personalities and other well known personalities visiting our multiplexes.

Our Organisation structure for the Operating Units is captured below:



For further details of our Organisation Chart please refer to section "Our Management" beginning on page 126 of the Draft Red Herring Prospectus.

OUR BUSINESS MODEL



Our business is modular in nature. Every multiplex that we set up has / will have the same key heads of Revenues and Costs, which have been depicted above. The actual performance numbers at each location will vary, depending upon the location, the quality of the property, its operating efficiency, etc.

A. REVENUE

A multiplex derives its revenues from three main sources viz. Patrons' Spends, advertising income, conducting fee and ancillary income.

1. **Patrons' Spends**:

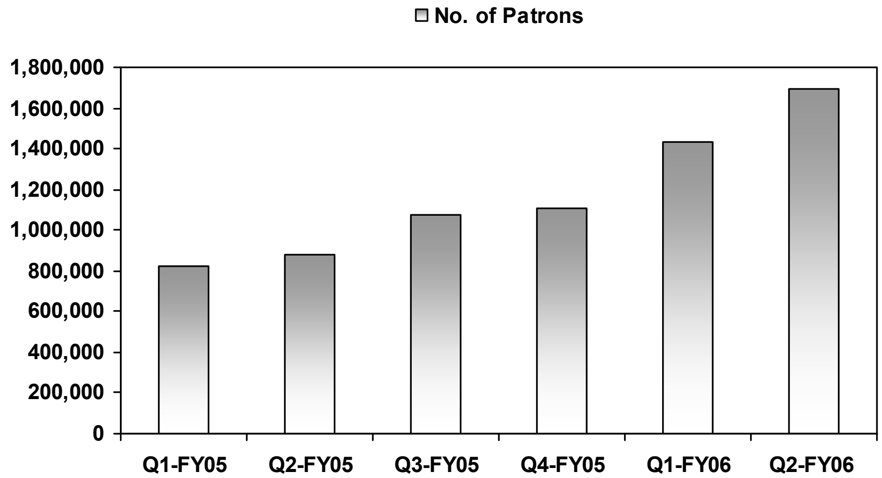
A patron is a customer who visits the theatre. A patron spends on tickets, parking if applicable and F&B (together called average Spend per head). Our revenue from patrons is a direct function of number of patrons and Spend per head.

- *Number of patrons*

It is the number of patrons coming to the theatre. It's a product of occupancy, number of seats available and number of shows. The following table and chart depict the growth in our quarterly number of patrons.

Quarters	Q1-FY05	Q2-FY05	Q3-FY05	Q4-FY05	Q1-FY06	Q2-FY06
No. of Patrons	823,447	876,717	1,079,063	1,109,320	1,432,259	1,693,542

Source: Internal MIS

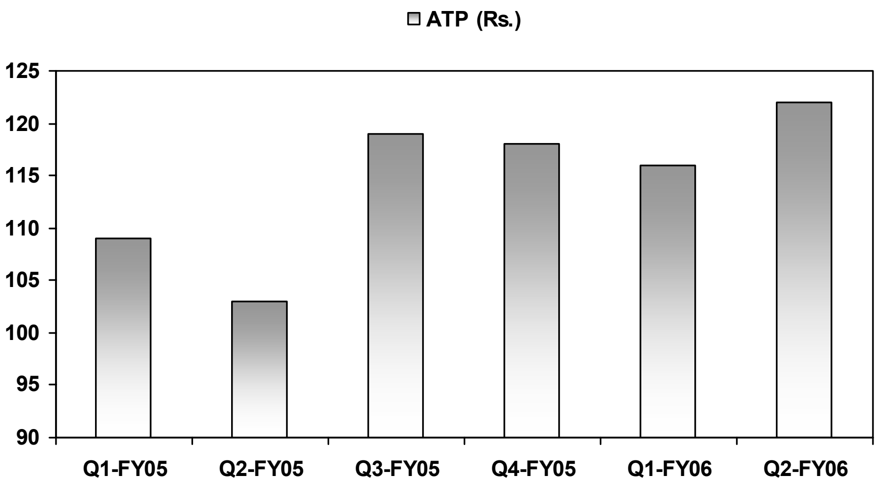


- *Average Ticket Price (ATP)*

ATP is defined as the gross ticket sales divided by the total tickets sold in a day. Over a period of time we have been successful in steadily but moderately increasing our ticket prices confirming that the patron is willing to pay a reasonable premium for a superior world class movie viewing experience.

Quarters	Q1-FY05	Q2-FY05	Q3-FY05	Q4-FY05	Q1-FY06	Q2-FY06
ATP (Rs.)	109	103	119	118	116	122

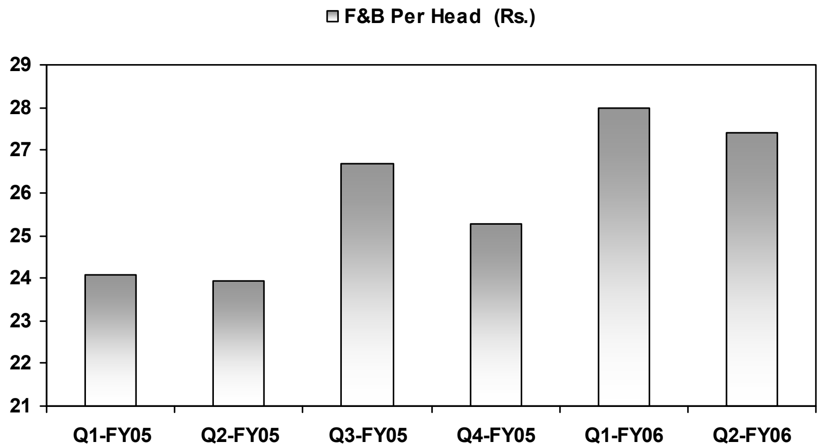
Source: Internal MIS


ATP (Rs.)
125
120
115
110
105
100
95
90
Q1-FY05
Q2-FY05
Q3-FY05
Q4-FY05
Q1-FY06
Q2-FY06

- *Food & Beverages(F&B)*

We normally have a good mix of F&B to enhance our patron experience and Spend per head. These are fast food in nature and having high margins.

Quarters	Q1-FY05	Q2-FY05	Q3-FY05	Q4-FY05	Q1-FY06	Q2-FY06
F&B Per Head (Rs.)	24	24	27	25	28	27

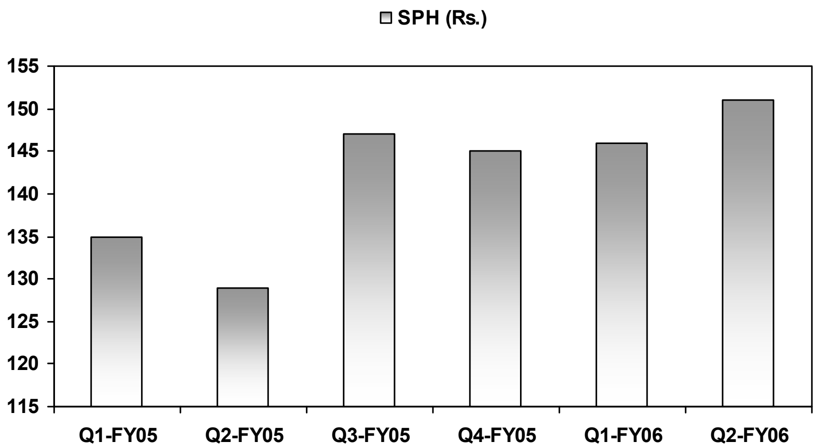


- *Spend per Head (SPH)*

SPH is the proportion of total of ticket sales, F&B sales and parking sales (wherever applicable) sales to the total tickets sold for that day. The average SPH has steadily increased over a period of time as we have increased our F&B offering.

Quarters	Q1-FY05	Q2-FY05	Q3-FY05	Q4-FY05	Q1-FY06	Q2-FY06
SPH (Rs.)	135	129	147	145	146	151

Source: Internal MIS



2. Advertising:

A multiplex offers advertisers a great opportunity to capture the attention of more than 4000 patrons per day. Advertising opportunities in a multiplex include on-screen advertising, posters inside the theatre, promotional stalls, etc. Some of the key advertisers who have used our multiplexes for advertising opportunities include Kingfisher, Airtel, Hutch, Maruti, Hyundai, etc.

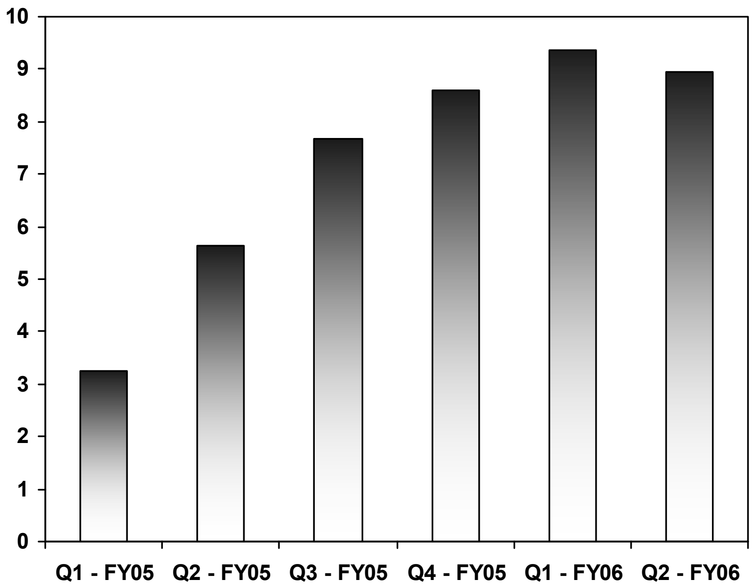
We also have allowed various entities to use a part of our lobby space at times to give the patrons a 'movie plus' experience. This happens through sale of movie based merchandise. Such partners pay a fixed sum or percentage of their sales. Some of the partners who have worked with us Yummy Tummy, Crazy Corn, Coca-Cola, Mamamia Icecream, Act II, etc.

(Rs. in million)

Quarters	Q1-FY05	Q2-FY05	Q3-FY05	Q4-FY05	Q1-FY06	Q2-FY06
Advertising Revenue	3.26	5.63	7.67	8.60	9.36	8.96

Source: Internal MIS

Advertising Revenue (Rs. in mn)



3. Conducting Fee:
Wherever the premise belongs to us and a larger mall has been developed, we lease out the retail space to various popular retail players such as Mc Donald, Pantaloon etc on a business conducting agreement. We receive Conducting Fee from such retail partners as our income. This is currently applicable to the Pune Multiplex and Vadodra Multiplex.

4. Management Fee:
We have in recent times managed our Goa Multiplex project construction on behalf of Goa State Industrial Development Corporation and earned management fee for completion of the project which was completed in a very

short span of 7.5 months from excavation to commissioning. We may also in the future look at management of cinemas owned by other exhibitors or managing cinema projects erection for Government bodies or exhibitors thus earning a management fee. However this may or may not be a regular source of income.

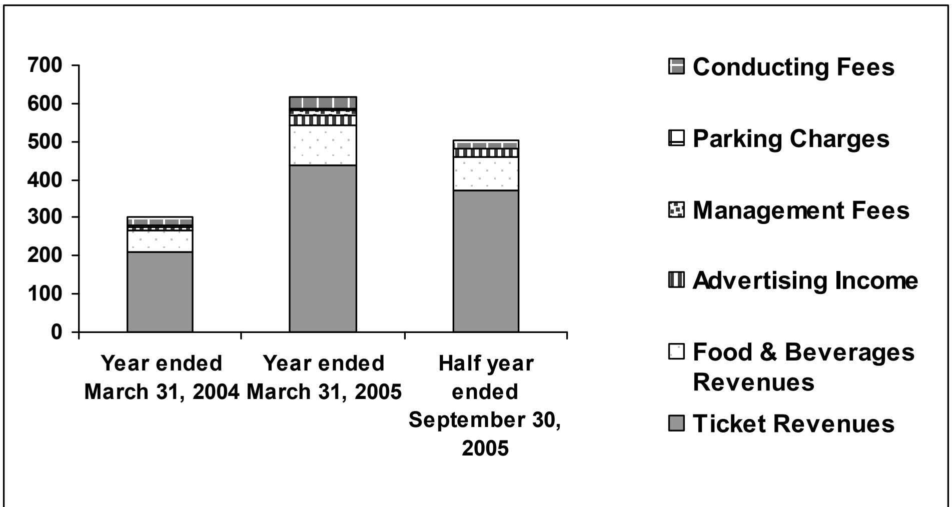
5. Parking charges
In case of our owned Operating Units at Pune and Vadodara we have developed a separate parking facility where we charge patrons of the mall/multiplex a parking charge.

The major contributor to our total revenues is ticket sales and the SPH, which are dependent on the number of patrons.

The break-up for the various revenue streams year on year and for the half year ended September 30, 2005, is as under:

Rs. in million

	Year ended March 31, 2004	**Year ended March 31, 2005**	**Half year ended September 30, 2005**
Ticket Revenues	211.04	438.5	372.68
Food & Beverages Revenues	54.55	104.68	88.12
Advertising Income	8.80	25.16	18.32
Management Fees	0.60	12.26	0
Parking Charges	5.30	6.24	3.67
Conducting Fees	19.47	27.95	19.73
Total	**299.75**	**614.82**	**502.53**



B. COST:
The main operating cost heads at a multiplex are Direct Cost (Distributors Share, F&B Cost and Entertainment Tax), Personnel Cost, Operating Cost (Property Rentals, Utilities, Marketing Cost and Others), deprecation and interest

1. Direct Cost

- Distributors Share

Distributors are content suppliers to us. Distributors acquire, from the film production house, the rights of theatrical exhibition, in specific geographical territories, and distributors share signifies the share of box office collections of a film paid by the film exhibitor to the distributor for accessing such rights for that cinema theatre. Various revenue sharing models are known to exist, in this regard. We either have a revenue sharing / minimum guarantee agreement with Distributors, For further details of the model please refer to the section “Industry Overview” beginning on page 62 of this Draft Red Herring prospectus.

We work with a wide range of distributors. The distribution share break up of top 5 distributors is Rs. 90.17 million as on September 30, 2005 and their contribution to our total Distributors Share cost is 79.64 %.

- F&B Cost

  This is the cost that we incur in sourcing various food and beverages from our vendors. This is usually a direct function of our F&B revenues.

- Entertainment Tax

  Entertainment tax represents the tax payable on the box office collections. This usually is a key component of cost, except in cases where the multiplex enjoys a concessional tax regime due to a tax exemption policy. Many States have, in order to encourage the growth of this industry, announced an entertainment tax policy, which grants exemptions to multiplexes, subject to fulfillment of certain conditions .Most of our Operating Units currently enjoy an entertainment tax exemption. Such exemption, where available, directly adds to our profits.

2. Personnel costs

Personnel cost includes salaries and other cost associated with employees and other recruits at each Operating Unit. This also includes the cost of training required to deliver the high levels of service.

3. Operating costs

- Property Rentals

  Where are Operating Units are not owned, property rentals are a key element of cost. Such rentals are typically negotiated with the property developer at a fairly early stage of the property development. Typically, these are structured as long term leases, where we pay a monthly rental to the property developer. Usually, multiplex rentals are lower than normal rentals for retail space, since multiplexes are considered to be “anchor tenants” due to the footfalls that multiplexes attract to the retail development.

- Utilities

  The major cost here is the electricity cost used for running air-conditioners, lighting, etc at the Operating Units. This also includes municipal charges for water.

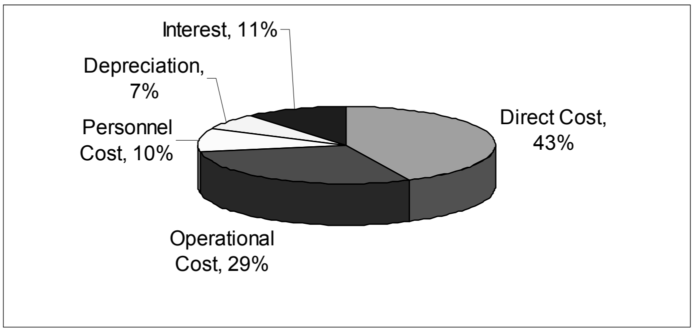
- Marketing Cost

  This includes spends on newspaper advertising, hoardings, posters, and the related creative cost.

- Other Cost

  This includes other expenses like maintenance, telecommunication expenses, IT etc.

Following is our total break up of cost half year ended September 30, 2005.



OUR STRATEGY

The key elements of our future strategy are as follows:

Establish a national presence

- To identify prime locations for our multiplexes and primary look at 'City Centre Locations'. These would typically be multiplexes in premium residential or commercial areas in the cities where they operate, in pursuit of high traffic or high spending centres.
- Expand into newer territories in the country in line with our goal to create India's largest network of world class multiplex exhibition facilities across all the leading towns and cities of India.
- Identify acquisition opportunities which could be operating multiplexes/multiplex chains.

Building a strong brand

- Emphasis on "Live The Movie", experience which largely associates itself with superior customer service, immaculate upkeep of facilities, ensuring highest levels of fire and life safety etc.
- Explore opportunities for tie ups with various other suitable partners like mall developers or key retail brands so as to form powerful alliance relationships that will enable us to stay ahead of competition.

Focus on a profitable growth

We have always laid a thrust on increasing number of patrons along with an increase in spend per head and average ticket price.

- Increasing number of patrons:

  The thrust on the increasing number of patrons is through a 'pull' – innovative programming and 'push' e.g. block booking.

  - Innovative Programming:

    In addition to the traditional 12-3-6-9 format, we have introduced various innovative programming slots.

    - Block Bookings

      These are tie ups with various corporates for their employee entertainment or their client promotion schemes - say banks for their customers, special shows for employees etc.

    - Flexi Timings and Variable pricing

    We offer different ticket rates depending on the timing of the show, day as well as seating arrangement which is typically classified as Gold and Premium. We also have the flexibility of timing the show which could begin at intervals of half an hour to one hour for various screens giving the patron convenience of watching a show of their choice. A typical rate chart for our Bangalore Multiplex is as under:

Show Timings	Monday - Thursday		Friday - Sunday	
Class	**Premium**	**Gold**	**Premium**	**Gold**
Before 12:00 noon	Rs.50/-		Rs.70/-	
12:00 noon to 3 pm	Rs.80/-	Rs.100/-	Rs.110/-	Rs.130/-
3 pm to 9 pm	Rs.80/-	Rs.100/-	Rs.120/-	Rs.140/-
9 pm onwards	Rs.80/-	Rs.100/-	Rs.90/-	Rs.110/-

The flexible ticket pricing approach helps us optimize number of patrons and spending per head.

- Increasing F&B Revenues
  To increase our spend per head, we focus on F&B, some of the strategies we have adopted are:
  - Having a good mix of F&B items available and upgrading the menu periodically;
  - Display of F&B and a good and attractive picture filled menu board;
  - Make food combos for sale enhancement;
  - Offer food combos at block bookings.

- Advertising
  - Advertisements for movies are done in the entertainment section of the prime newspapers of the city. Inox – "Live The Movie" experience is also emphasized for brand building perspective. For megamovies, the dresscode of the employees at refuel counter and urshers are at times changed to bear movie promos and movie special prints are made on popcorn boxes, stalls at lobby etc.

- Controlling Cost

  - A special emphasis is given on controlling costs at the Operating Units, without sacrificing on service delivery or safety. We have a tight budgetary control system for monitoring and controlling costs across all our operating units. The same are also reviewed on a monthly basis by an Audit Committee of the Board.

Set new standards in customer service

We aim to give our patrons a great experience. The first thing we aim at is accessibility. We have initiated a ticket on phone service where tickets are delivered to customers upon phone booking. We have also initiated SMS bookings and internet bookings. Our ushers and employees at ticket counters and gates are trained on soft skills by professional organizations to ensure standardization and high level of customer service satisfaction.

Increasing Customer Loyalty

Through soft skill training of staff, clean hygienic ambience, variety of F&B items available, accessibility through phone, SMS, internet and ticket counters.

Value Added Services

SMS, internet bookings, telebooking and home delivery, Presence and accessibility of duty mangers. Highly clean and hygienic environment and emphasis on fire and life safety Also we partner with contest2win and mouthshut.com where we speak to two million customer base through their website.

Strengthen our position in the distribution segment

We have recently decided to initiate a foray into the distribution segment of the business, with an intent to climb up the learning curve in this business and see if it provide any synergies to our exhibition business.

We believe that all these measures have increased customer convenience in booking a ticket and have resulted in an increase in our ticket sales through these channels.

COMPETITION

Any multiplex cinema theatre attracts patrons within a short radius, called its "catchment" area. The size of the catchment area could be different, depending on city, population density, traffic flows, etc. This could be 2-3 km in a densely populated city like Mumbai, or could be over 5 km in a tier-II town. We face competition from multiplexes and single screen theatres located in the same catchments area.

As our business matures, we, as a pan-India exhibition company, are likely to face competition from other exhibition companies such as Shringar Cinema, PVR, Fun Republic, Adlabs, etc.

OUR COMPETITIVE ADVANTAGE

Research backed investment
We carry out in-depth research comprising of population segments, income patterns, spending habits, preferences and alternatives of consumers, as well as regulatory framework before selecting the cities where we wish to set up a multiplex.

The first mover advantage
Presently, the players in the multiplex industry are largely regional. We would be amongst the few players to conceptualise and implement a business plan of establishing a national chain of world class multiplexes.

Location
Location is as critical as content for the success of a multiplex business. While selection of right content helps in reaching out to the right target, selection of right location results in attracting higher footfalls. All our multiplexes would be located in high traffic commercial business districts or in the midst of affluent residential areas of each town / city of operation, which would provide us with a competitive advantage.

Economies of being a national chain
Controlling a chain of multiplexes across the country, gives us an edge over local competition in accessing content – both in terms of quality of content as well as terms of agreement between the content provider and the exhibitor, as well as provided us with some economies of scale due to better negotiating leverage and sharing of come common costs.

Brand creation
We have created brand equity through all our multiplexes, after their launch. Further, we are increasingly being recognised in the industry as a committed long term player. All our projects represent quality benchmarks in the industry.

Reputed Promoter
We are promoted by GFL, which has experience in manufacturing and exports of refrigerants . GFL has an excellent reputation and track record with banks, financial institutions and investors and is known to conform to transparent corporate governance practices.

Work with the best
We have identified and used the best talent in the industry, from concept architects, interior designers, project management companies, engineering consultants, etc., as also the best equipment available internationally, to put together state-of-the-art multiplexes.

Proven project management skills
We have an in-house professional team for project implementation supported by Feedback Strategic Consultancy Services Private Limited. This model of implementing projects has enabled us to complete properties within budgets and time.

Marketing strength
We believe, the brand 'INOX' has been established in the consumers mind due to marketing through newspaper ads, radio spots, direct mailers, internet mailers and the use of promotions like paid previews, contests, movies merchandise, Disc Jockey in the lobby over the weekend etc. Premieres of films are also used as an important marketing tool.

Customer Orientation
'INOX' has built a clear focus on customer orientation, by providing services such as, tele-bookings, home delivery of tickets, internet and SMS bookings.

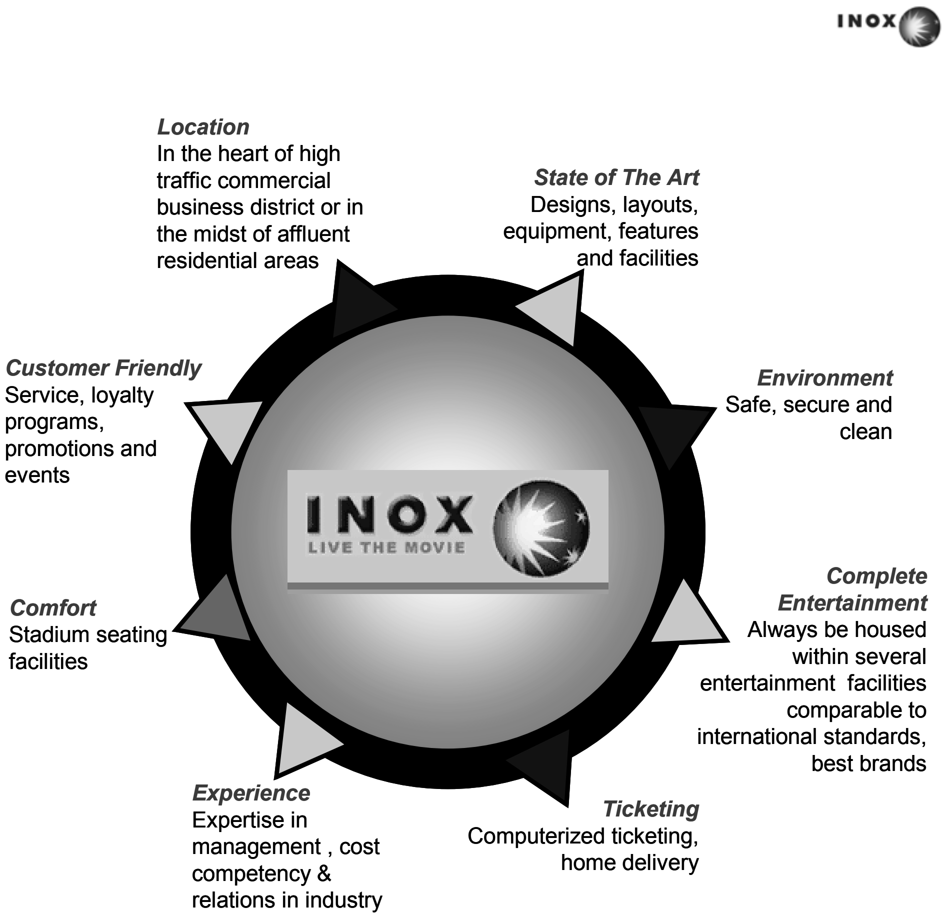
Integrated Technology Backbone
We have a laid a lot of emphasis on a technology and systems. We have a strong MIS system, on the backbone of a technically sturdy software system, which provide us with regularly updated performance reports on all our Operating Units. This assists us in our day to day operations. We use software for the following:
- Ticket Sales;
- Concessions;
- Telesales/home delivery;
- Reports;
- Analysis;
- Accounts.

We have installed specialize management exhibition software called Showbizz Multiplex at all our Operating Units. We were the first client for this software product and have contributed in designing and developing of this product. This software is evolving to be an industry standard and is being implemented at other multiplexes across India.

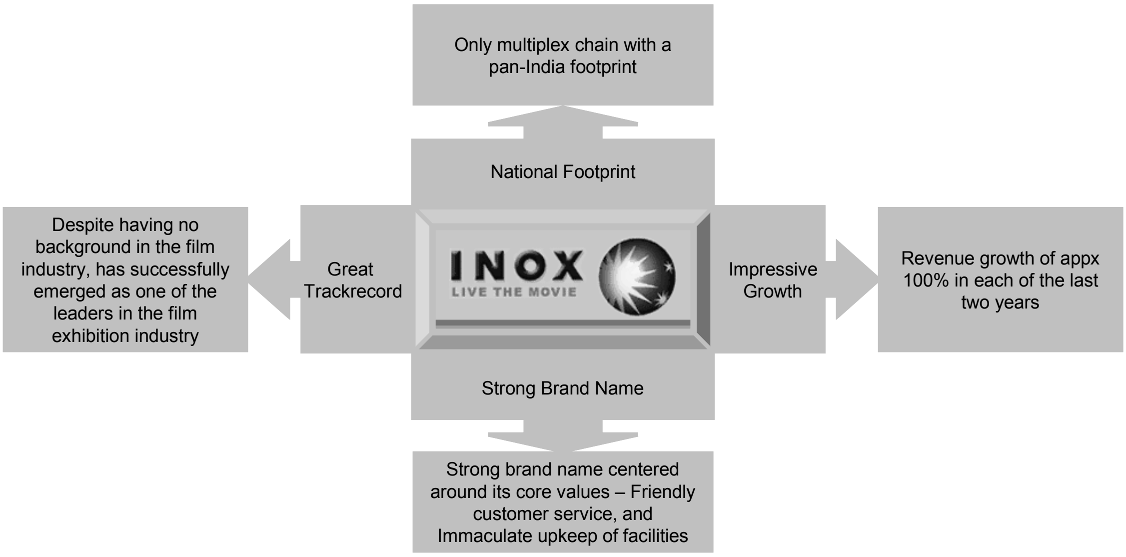
Key features of this software are:
- A centralized data availability to all our Operating Units (for both transactional and financial data)
- A daily collection report to Distributors.

We have invested in IT Infrastructure to connect all our Units with Corporate Office. Currently we are on a batch process and will soon move to a near real time connectivity. Due to seamless data transfer and availability of information we have seen huge savings in time and effort along with ensuring a strong focus on processes. This has been key in streamlining our operations across our Operating Units in 7 cities. This has also benefited us in a more real time MIS system, effective decision making and quick solution of issues leading to better controls of various units.

KEY STRENGHTS
Our key strength is emphasized and synonymous with our slogan 'Live the Movie" experience which symbolizes:


INOX
Location
In the heart of high traffic commercial business district or in the midst of affluent residential areas
State of The Art
Designs, layouts, equipment, features and facilities
Customer Friendly
Service, loyalty programs, promotions and events
Environment
Safe, secure and clean
INOX
LIVE THE MOVIE
Complete Entertainment
Always be housed within several entertainment facilities comparable to international standards, best brands
Comfort
Stadium seating facilities
Experience
Expertise in management , cost competency & relations in industry
Ticketing
Computerized ticketing, home delivery

OUR VALUE PROPOSITION



Our SWOT can be briefly summarized below:

Strengths	Weaknesses
• Amongst the best locations in the city • Financial strengths for acquisition and development of properties • Early mover advantage – Amongst the first corporates • Professionally managed organization • Have been instrumental in playing a key role in shaping industry related policies.	• Dearth of managerial talent with related business experience • Promoter not related to exhibition business
Opportunities	**Threats**
• Acquisition opportunities of single multiplexes/smaller chains in the consolidation phase of the industry • A shift in business model to the more efficient management contract • Opportunities in international markets	• Increased competition from organized and unorganized players • Alternative entertainment formats and technologies

KEY ASPECTS TO OUR BUSINESS AND OPERATIONS
Other important aspects to our business and operations are explained below:

OUR IMMOVABLE PROPERTY

We do not own our Operating Units except our Pune Multiplex and Vadodara Multiplex and the structure in respect of Nariman Point Multiplex. We have entered into long term conducting or lease agreements, pursuant to which we have acquired rights to our premises. All our agreements are duly registered and stamped except the Letters of Intent (LoIs) signed by us for acquiring certain properties, and except as mentioned below.

Sr. No.	Location	Nature of consideration*	Nature of Contract	Validity/date of expiry
1.	Elgin Road, Kolkata Multiplex	Conducting fee	Conducting Agreement dated March 8, 2003	Twenty four years from September 26, 2003
2.	Bangalore Multiplex	Conducting Fee (subject to minimum guarantee)	Business Conducting Agreement dated February 14, 2003	Twenty four years from August 5, 2005
3.	Pune Multiplex	Property owned by our Company. Sale consideration paid.	Indenture of Conveyance dated August 2, 2000	Owned property. Not applicable.
4.	Salt Lake, Kolkata Multiplex	Monthly rent	Agreement for lease dated June 4, 2003. Execution of Deed of Under Lease pending.	Twenty four years from June 17, 2004
5.	Vadodara Multiplex	Property owned by our Company. Sale consideration paid.	Indentures of Conveyance dated July 27, 2001 and August 19, 2002.	Owned property. Not applicable.
6.	Mumbai Multiplex	Building	Agreement for Sale	Developer's long term lease on

		structure owned by our Company as purchased from developer, but the land is on long-term lease of developer.	dated August 19, 2003. Deed of Apartment pending to be executed.**	land is for a period of eighty years from January 3, 2001.
7.	Goa Multiplex**	Monthly lease rental	Letter from Entertainment Society of Goa dated October 27, 2004	February 28, 2006 (fifteen months from November 1, 2004)
8.	Jaipur Multiplex	Building structure owned by our Company as purchased from the vendor, but the land is on long-term lease of vendor.	Sale Deed dated October 26, 2005	Vendor's long term lease is for a period of ninety nine years from July 27, 2000

* - Does not include security deposits paid by our Company in relation to premises not owned by us.

** - Until Deed of Apartment is executed, we do not have any rights whatsoever in the land on which our Mumbai Multiplex stands.

*** - Our Goa Multiplex is being operated by us for a short period of fifteen months pursuant to a temporary arrangement with the Government of Goa. The said fifteen month period expires on February 28, 2006. The brief background in relation to the same is as follows – vide Memorandum of Understanding dated April 21, 2004 (the "**Said MoU**") entered into between the Goa State Infrastructure Development Corporation Limited ("**GSIDC**") and our Company, we were appointed as contractors to design, procure and construct the Goa Multiplex. The Goa Multiplex was accordingly designed and constructed by us. Vide Clause 75 of the Said MoU, GSIDC was to float a tender within six months of the date of completion for development of the land and operation ,maintenance and management of the Goa Multiplex, wherein our Company would be entitled for certain special benefits. Due to certain exigencies, the tender was not floated and we were granted a 15-month short-term lease to run the Goa Multiplex with effect from November 01, 2004, which would expire on February 28, 2006. After this period, we may not able to operate the Goa Multiplex. Despite the special benefits granted to us under Clause 75 of the MoU, we may not be able to bag the tender for the operation, maintenance and management of the Goa Multiplex.

Our registered office is situated in the premises of the corporate office of our Promoter. Our Promoter has permitted us to use, without consideration, a part of its corporate office as our Registered Office without consideration. However, we do not have any written agreement/document regarding the same.Our Corporate Office is occupied by us pursuant to a leave and license agreement dated April 30, 2004 for a period of 24 months commencing from June 2, 2004 and expiring on June 01, 2006, for which we pay a monthly license fee. We also occupy a godown pursuant to a leave and license agreement dated July 10, 2005 which is valid till June 10, 2006. These agreements for our Corporate Office and godown remain to be adequately stamped.

EMPLOYEES

Our Company is only a few years old, and the bulk of our Multiplexes have commenced operations in the last two years. Consequently, we have had to ramp up our employee strength considerably. As on September 30, 2005 our Company had 601 employees and a unit wise break up of the same is as follows:

Sr.No.	Location	Number of Employees
1	Corporate Office, Mumbai	34
2	Mumbai Multiplex	91
3	Pune Multiplex	86
4	Baroda Multiplex	82
5	Goa Multiplex	87
6	Elgin Road, Kolkata Multiplex	65
7	Salt Lake City, Kolkata Multiplex	70
8	Bangalore Multiplex	86
	Total	**601**

In addition to the above, we have outsourced certain functions like security and housekeeping.

As per our Company's current policy (which is also in conformity with standard industry practice), employees are initially taken on a probationary basis for a specified time (6 months) before their employment is confirmed. Employees who are on probation can leave at 24 hours notice, while the other permanent staff has a notice period of at least one month. In some of our premises, the percentage of employees on probation is currently very high (due to the fact that the Multiplexes have commenced operations recently). For further details, kindly refer risk factor titled "***Some of our Multiplexes have a large percentage of employees who can quit on short notice***" beginning on page 10 of this Draft Red Herring Prospectus.

Each Multiplex functions as a distinct unit headed by a General Manager. However, all Multiplexes report to and are controlled, monitored and supported by our Corporate Office.

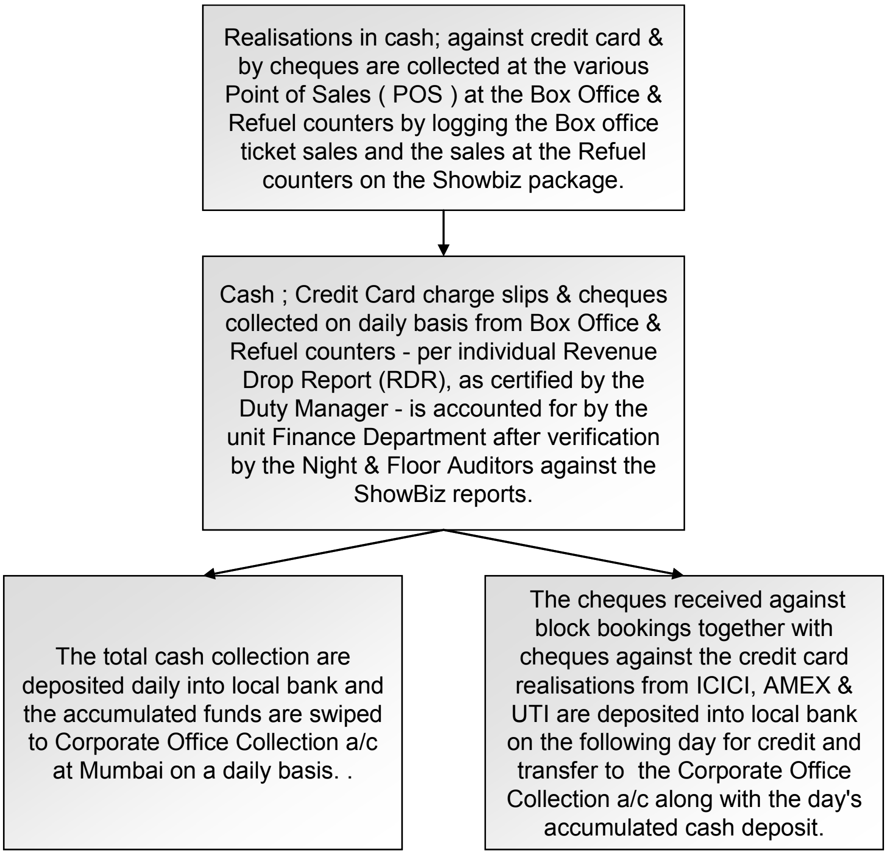
Our Company has recently adopted an ESOP Scheme, and has issued and allotted 500,000 Equity Shares on October 28, 2005 to "Inox Leisure Limited – Employee's Welfare Trust" (trustee being Mr. Pavan Jain, Director of our Company) pursuant to the same. However, we have not granted any options till date under the ESOP Scheme.

We believe that a well-trained and experienced team of employees is crucial to our continued growth and success. In this regard, we are committed to recruiting the best people in the industry, providing the best training available and remunerating our staff at levels that will encourage them to perform to their best capability. We believe our continued focus on employee training, development and retention should help us achieve the growth that we have planned for.

INTERNAL CONTROL & AUDIT

Most revenues in our business are collected in cashat shop-floor level, necessitating robust internal control systems. Our Company has internal control procedures encompassing various operational areas including box office, concessions, parking, marketing and business and conducting revenue in addition to other areas like cash and bank transactions, purchases, outsourced services and payroll processing. Most revenues in our business are collected in cash. All transactions at our Multiplexes are vouched by an in-house team of floor and night auditors on a daily basis. Thereafter, they are scrutinized by our internal auditors, Sharp & Tannan Associates on a monthly basis and their report is directly forwarded to the Audit Committee and the senior corporate management team.

We have a process for cash collection at our Multiplexes, which process is set out in the flowchart below:


Realisations in cash; against credit card & by cheques are collected at the various Point of Sales (POS) at the Box Office & Refuel counters by logging the Box office ticket sales and the sales at the Refuel counters on the Showbiz package.
Cash ; Credit Card charge slips & cheques collected on daily basis from Box Office & Refuel counters - per individual Revenue Drop Report (RDR), as certified by the Duty Manager - is accounted for by the unit Finance Department after verification by the Night & Floor Auditors against the ShowBiz reports.
The total cash collection are deposited daily into local bank and the accumulated funds are swiped to Corporate Office Collection a/c at Mumbai on a daily basis. .
The cheques received against block bookings together with cheques against the credit card realisations from ICICI, AMEX & UTI are deposited into local bank on the following day for credit and transfer to the Corporate Office Collection a/c along with the day's accumulated cash deposit.

IPR & TRADEMARKS

We have applied for the following trademark registrations under the Trademark Registry, Mumbai:

1. The label, “Inox”, in the name of our Company vide an application letters dated August 9, 2002 bearing application numbers 1126781 to 1126814 under class 1 to 34 of the Trademarks Act, 1999. Out of these, we have received certificate of registration for class 2, 9, 12, 22, 24, 25, 28, 31, 32 and 34.

2. The label, “Chatpatzz”, in the name of our Company vide an application letters dated March 20, 2003 bearing application numbers 1186582 to 1185697 under class 3, 5, 8, 9, 11, 14, 16, 18, 24, 28, 29, 30, 31, 32 and 33 of the Trademarks Act, 1999.

3. The label, “Refuel”, in the name of our Company vide application letters dated March 20, 2003 bearing application numbers 1186598 to 11866319 under class 1 to 34 of the Trademarks Act, 1999. Out of these, we have received certificate of registration for class 25, 29, 30, and 32.

4. Register the label, “Inox O2”, in the name of our Company vide an application letters dated January 31, 2003 bearing application numbers 1171787 to 1171791 under class 9, 16, 18, 24 and 25 of the Trademarks Act, 1999. Out of these, we have received certificate of registration for class 24 and 25.

KEY EQUIPMENTS

Key equipments in any Multiplex would include, among others, projection equipment (including projection screens, sound equipments etc.), concession equipments (for food and beverages business), auditorium seats, HVAC items (air-conditioning equipment) and IT equipments (computer hardware and software). Except for projection and sound equipments, procurement for the other equipments is usually done locally. Projection and sound equipment is sourced domestically as well as imported.

The total cost incurred by us towards sourcing our key Multiplex equipments for all our Multiplexes as on September 30, 2005 (except for our Goa Multiplex, wherein all equipment is owned by the Goa Government and Jaipur Multiplex, where we commenced operations after September 30, 2005) is as follows:

1. Projection and sound equipments – Rs. 140,532,423/- (being imports of Rs. 72,980,401 and domestic procurement of Rs. 67,552,022);
2. HVAC items - 86,525,526
3. Auditorium seats – Rs. 33,335,286
4. Concession equipments – Rs. 25,630,244
5. IT equipment (hardware and software) - Rs. 21,121,177

INSURANCE

We maintain insurance to cover risks that may concern our cinemas, our customers and our assets. We have various insurance policies with New India Assurance Company Limited, Bajaj Allianz General Insurance Company Limited, ICICI Lombard General Insurance Company Limited and Tata AIG General Insurance Company Limited that are renewed on a regular basis. These policies cover our corporate office and multiplexes situated across the country.

Policies taken for our Corporate office:
- Comprehensive breakdown policies;
- Electronic equipment insurance policies;
- All risk policies for various electronic equipment in our corporate office;
- Fidelity guarantee insurance policy;
- Money insurance policy, which includes money in transit and money in safe; and
- Comprehensive vehicular insurance policies.

Policies taken for our Operational Units:

- Standard fire and special perils policies providing cover against natural and man-made calamities for the assets of our Operational Units;
- Plate Glass insurance policies providing cover against damages to plate glass products like mirrors and glass doors;
- Fidelity guarantee insurance policy; and
- Money insurance policy, which includes money in transit and money in safe.
- Third party/ public liability policy.

WORKING CAPITAL/LOAN ARRANGEMENTS

We have three bankers, namely Canara Bank, United Bank of India and UTI Bank Limited. We do not currently have any non-fund based limits, except for a bank guarantee from UTI Bank Limited (sanctioned amount - Rs. 25,000,000; amount utilized as on September 30, 2005 – Rs. 11,340,827). Our fund-based limits consist of secured term loans. The details of our fund-based limits (Principal amounts sanctioned and outstanding as on September 30, 2005) are as follows:

S. No.	Name of bank	Amount sanctioned (Rs.)	Principal Amount outstanding as on September 30, 2005 (Rs.)
1.	United Bank of India	116,900,000	72,950,000
2.	Canara Bank	310,000,000	251,723,995
3.	UTI Bank	880,000,000	158,000,000

REGULATIONS AND POLICIES

The Parliament of India has enacted various Central and State acts, regulations and rules for governing and regulating the cinema and entertainment industry in India. Of these the following are considered to be principal regulations:

(i) The Cinematograph Act, 1952 and the Cinematograph (Certification) Rules, 1983; and
(ii) The Cinematograph Film Rules, 1948

In addition, there are state specific regulations governing licensing requirements in respect of construction of a cinema or using premises for cinematograph exhibitions. Further, various states have enacted laws for imposition of taxes on patrons of cinemas, which are collected by establishments providing the entertainment by way of inclusion in the ticket price. In certain States, subject to compliance with prescribed conditions, exemptions from payment of such entertainment taxes may be granted.

The Cinematograph Act, 1952 and The Cinematograph (Certification) Rules, 1983

The Cinematograph Act, 1952 is an act to make provision for the certification of cinematograph films for exhibition and for regulating exhibitions by means of cinematographs. Cinematograph is defined to include any apparatus for the representation of moving pictures or series of pictures. Any person desirous of exhibiting any film is required to make an application to the Board of Film Censors (the 'said Board') for a certificate in that respect. The said Board may either refuse or grant such certificate. The certificate granted may provide restrictions in respect of viewership or, the said Board may direct the applicant to carry out any modifications, as it may think fit. The obligation to obtain such certificate is on the producer of films. However, the duplicate copy of the same has to be provided to the distributor or the exhibitor according to the Cinematograph (Certification) Rules, 1983. The certificate granted by the said Board in respect of a film shall be valid for a period of 10 years from the date on which the certificate is granted.

If the said Board receives any complaint in respect of any film, which has been certified for public exhibition, the same shall be forwarded to the Central Government and the Central Government may re-examine the certified films and may take necessary action. All advertisements of films displayed by the producer/ distributor/ exhibitor in any form including hoardings, handbills, newspapers and trailers shall indicate that the film has been certified for such public exhibition. Any person applying for certification of films, aggrieved by the decision of the said Board has a right to appeal to the Appellate Tribunal.

The Cinematograph Film Rules, 1948 (the "Cinematograph Rules")

According to the Cinematograph Rules, a license for storage of films has to be obtained by making an application for the same. However, the licensing authority has the power to refuse the grant/ renewal/ amendment of such license and shall record the reasons for such refusal in writing. The licenses granted in this manner are valid for a period of one year and shall be renewed annually. The licensee may, at any time before the expiry of the license apply for permission to transfer the said license to another person. The licensing authority also has the power to cancel any license for contravention of the Cinematograph Act, 1952. The Cinematograph Rules shall ensure compliance in respect of transportation, storage and handling of films.

The Bombay (Maharashtra) Cinemas (Regulation) Act, 1953 (the "Bombay Cinemas Act") and The Maharashtra Cinemas (Regulation) Rules, 1966 (the "Maharashtra Rules")

The Bombay Cinemas Act is an act to provide for regulating exhibitions by means of cinematographs and the licensing of places in which cinematograph films are exhibited in the State of Maharashtra. The State Government may by notification make rules for the purposes of carrying out into effect the provisions of the Bombay Cinemas Act. Accordingly by notification dated March 31, 1973, the Maharashtra Rules have come into effect from April 1, 1973.

In accordance with the provisions of the Maharashtra Rules, the State Government has prescribed strict regulations to be complied with, by any person intending to give an exhibition by means of a cinematograph. Such person shall have obtained a cinema license for operating and using the cinema house/ multiplex. In order that the cinema license is awarded to the applicant, such person shall make an application to the licensing authority accompanied by the following documents:

- No objection certificate for the location of the cinema;
- True copy of the building permission;
- Certificate from an authorised architect;
- Certificate from the electrical engineer of the electrical division;
- Certificate from the executive health officer of the Bombay Municipal Corporation;
- Certificate from the authority concerned, that a telephone in working order has been duly installed in the cinema; and
- Certificate from an electrical supply company/ licensed electrical contractor/ executive engineer.

The licensing authority after examining the application submitted as above may grant/ refuse cinema license to the said applicant. The license granted in this manner shall be valid for period not exceeding three years.

In addition to the cinema license so obtained, the applicant shall also obtain a license for the sale of tickets for granting the right of admission to the cinema. According to the Maharashtra Rules, the tickets shall be sold only at booking office(s) as approved by the licensing authority and specified in the license.
The following conditions are to be complied with, for the continuation of the license for sale of tickets:

- The tickets are not to be sold earlier than 7 days from the date of the show;
- The price and the hours of sale are to be notified on a board in the premises of the cinema;
- The licensee shall not caused to be closed down the sale of tickets of any class indicating the closure of the sale of those tickets, unless and until all the tickets are actually sold out;
- Price is to be printed on the ticket and the price charged shall not exceed the price printed on that ticket;
- Records of tickets sold are to be maintained and the same is subject to inspection by the licensing authority.

Either the holder of the cinema license or the license for the sale of tickets or some person or someone of several persons whom the licensee has nominated as manager(s) and whose name or names have been entered as such in the license shall be present at the cinema to which the license applies during the whole time for which the cinema is kept open to the public for business and shall not absent himself therefore, except, with the permission of the licensing authority endorsed on the license.

The licenses obtained under the Maharashtra Rules shall be displayed prominently on the walls of the office of the cinema. The Maharashtra Rules also provide for certain restrictions and prohibitions with respect to maintenance of the cinema and authorises certain authorities/ officers to inspect the premises of the cinema at all hours.

Licenses issued under the Maharashtra Rules are not transferable and are for the personal benefit of the person for whom it has been granted and on the death of the licensee, the same shall be deemed to be revoked.

The Gujarat Cinemas (Regulation) Act, 2004 (the "Gujarat Cinemas Act") and The Gujarat Cinemas (Regulation) Rules, 1954 (the "Gujarat Rules")

Prior to the commencement of the Gujarat Cinemas Act from June 17, 2004, the act, regulations and rules governing the State of Gujarat was the Gujarat (Bombay) Cinemas (Regulation) Act, 1953 and the Gujarat Cinemas (Regulation) Rules, 1954. As the State of Gujarat has not notified new rules for its State, the Gujarat Rules continue to exist to the extent that the Gujarat Rules are in consistence with the Gujarat Cinemas Act. The Gujarat Cinemas Act is an act to provide for regulating exhibitions by means of cinematographs and the licensing of places in which cinematograph films are exhibited in the State of Gujarat.
In accordance with the provisions of the Gujarat Rules, the State Government has prescribed strict regulations to be complied with, by any person intending to give an exhibition by means of a cinematograph. Such person shall have obtained a cinema license for operating and using the cinema house/ multiplex. In order that the cinema license is awarded to the applicant, such person shall make an application to the licensing authority accompanied by the following documents:

- No objection certificate for the location of the cinema;

- True copy of the building permission;
- Certificate from an authorised architect;
- Certificate from the Government electrical inspector;
- No objection certificate from health point of view;
- Certificate from the authority concerned, that a telephone in working order has been duly installed in the cinema; and
- Certificate from an electrical supply company/ licensed electrical contractor/ executive engineer.

The licensing authority after examining the application submitted as above may grant/ refuse cinema license to the said applicant. The license granted in this manner shall be valid for period not exceeding three years.

In addition to the cinema license so obtained, the applicant shall also obtain a license for the sale of tickets for granting the right of admission to the cinema. According to the Gujarat Rules, the tickets shall be sold only at booking office(s) as approved by the licensing authority and specified in the license.

The following conditions are to be complied with, for the continuation of the license for sale of tickets:

- The price and the hours of sale are to be notified on a board in the premises of the cinema;
- The licensee shall not caused to be closed down the sale of tickets of any class indicating the closure of the sale of those tickets, unless and until all the tickets are actually sold out;
- Price is to be printed on the ticket and the price charged shall not exceed the price printed on that ticket;
- Records of tickets sold are to be maintained and the same is subject to inspection by the licensing authority.

Either the holder of the cinema license or some person or someone of several persons whom the licensee has nominated as manager(s) and whose name or names have been entered as such in the license shall be present at the cinema to which the license applies during the whole time for which the cinema is kept open.

The licenses obtained under the Gujarat Rules shall be displayed prominently on the walls of the office of the cinema. The Gujarat Rules also provide for certain restrictions and prohibitions with respect to maintenance of the cinema and authorises certain authorities/ officers to inspect the premises of the cinema at all hours.

Licenses issued under the Gujarat Rules are not transferable and are for the personal benefit of the person for whom it has been granted and on the death of the licensee, the same shall be deemed to be revoked.

The Karnataka Cinemas (Regulation) Act, 1964 (the "Karnataka Cinemas Act") and The Karnataka Cinemas (Regulation) Rules, 1971 (the "Karnataka Rules")

The Karnataka Cinemas Act is an act for regulating exhibitions by means of cinematographs and the licensing of places in which cinematograph films are exhibited in the State of Karnataka. The State Government may by notification make rules for the purposes of carrying out into effect the provisions of the Karnataka Cinemas Act. Accordingly, by notification dated June 17, 1968, the Karnataka Rules have come into effect from July 31, 1968.

In accordance with the provisions of the Karnataka Rules, the State Government has prescribed strict regulations to be complied with, by any person intending to give an exhibition by means of a cinematograph. Such person shall have obtained a cinema license for operating and using the cinema house/ multiplex. In order that the cinema license is awarded to the applicant, such person shall make an application to the licensing authority accompanied by the following documents:

- Certificate from the executive engineer;
- Certificate from the electrical inspector;
- Certificate from the director of fire force;
- Certificate from the director of health and family planning services;
- Declaration by the applicant that that he has completed all arrangements for obtaining and exhibition of films;
- Treasury challan for the payment of license fees at the prescribed rates.

The licensing authority, after examining the application submitted as above may grant/ refuse a cinema license to the said applicant. The license granted in this manner shall be valid for a period not exceeding three years.

Subsequent to acquiring the license, all additions or alterations to the cinema building must obtain the prior approval of the licensing authority through a no objection certificate. In addition the Karnataka Rules state that no licensee shall exhibit more than four cinematograph shows a day. The Karnataka Rules also provide for certain restrictions and prohibitions with respect to maintenance of the cinema and authorises certain authorities/ officers to inspect the premises of the cinema at all hours.

The West Bengal Cinemas (Regulation) Act, 1954 (the "West Bengal Cinemas Act") and The West Bengal Cinemas (Regulation of Public Exhibition) Rules, 1956 (the "West Bengal Rules")

The West Bengal Cinemas Act is an act providing for the regulation of exhibitions in the State of West Bengal. The State Government may by notification make rules for the purpose of carrying out into effect the provisions of the West Bengal Cinemas Act. Accordingly, by notification dated August 10, 1956 the State of West Bengal made the West Bengal Rules.

As per the provisions of the West Bengal Rules, an applicant for a cinema license first needs to obtain the approval of the District Magistrate for the construction of the cinema. Subsequently, a license shall be granted by the licensing authority ensuring that the applicant has complied with the West Bengal Rules and has taken sufficient precautions to ensure the safety of the public in the cinema. The cinema license so granted shall not be transferable and shall be for the personal benefit of the person for whom it has been granted.

The Goa, Daman and Diu Cinematograph Rules, 1965 (the "Goa Cinematograph Rules")

Pursuant to the powers conferred by the Cinematograph Act, 1952 the Government of Goa made the Goa Cinematograph Rules that regulate exhibitions by means of cinematographs and the licensing of places in which cinematograph films are exhibited in the State of Goa (which includes Daman and Diu). In accordance with the provisions of the Goa Cinematograph Rules, the Government has prescribed strict regulations to be complied with, by any person intending to give an exhibition by means of a cinematograph. Such person shall have obtained a cinema license for operating and using the cinema house. In order that the cinema license is awarded to the applicant, such person shall make an application to the licensing authority accompanied by the following documents:

- No objection certificate for the location of the cinema;
- Certificate from the executive engineer;
- Certificate from the electrical inspector;
- Certificate from the authority concerned, that a telephone in working order has been duly installed in the cinema for the purpose of communicating with the nearest fire station if need be;
- Complete plans regarding the building, the cinematograph apparatus etc.

Along with the above documents the cinema operator who is going to work at the cinema should have either passed the Cinema Operators Examination or should have worked in a registered permanent cinema for more than 15 years. The licensing authority after examining the application submitted as above may grant/ refuse cinema license to the said applicant. The license granted in this manner shall be valid for period not exceeding five years.

The Rajasthan Cinemas (Regulations) Act, 1952 (the "Rajasthan Cinemas Act") and The Rajasthan Cinemas (Regulations) Rules, 1959 (the "Rajasthan Cinemas Rules")

The Rajasthan Cinemas Act is an act to provide for regulating exhibitions by means of cinematographs and the licensing of places in which cinematograph films are exhibited in the State of Rajasthan. The State Government may by notification make rules for the purposes of carrying out into effect the provisions of the Rajasthan Cinemas Act. Accordingly by notification dated December 23, 1959 Rajasthan Cinemas Rules have come into effect from December 28, 1959. In accordance with the provisions of the Rajasthan Cinemas Rules, the State Government has prescribed strict regulations to be complied with, by any person intending to give an exhibition by means of a cinematograph. Such person shall have obtained a cinema license for operating and using the cinema house. In order that the cinema license is awarded to the applicant, such person shall make an application to the licensing authority, who in this case is the District Magistrate, accompanied by the following documents:

- No objection certificate for the location of the cinema;
- Certificate from a Government Electric Executive;
- Certificate from a Government Executive Engineer;
- No objection certificate from a Government Medical Officer of Health;
- Certificate from the Regional Fire Officer; and
- Certificate from the authority concerned, that a telephone in working order has been duly installed in the cinema.

The licensing authority after examining the application submitted as above may grant/ refuse cinema license to the said applicant. The license granted in this manner shall be either triennial or yearly.

In addition to the cinema license so obtained there are certain rules as regards the sale of tickets namely, no person, other than an authorised person who has obtained a license for exhibition under the Rajasthan Cinemas Rules shall sell or expose/offer for sale tickets. Neither can a person by resorting to corrupt means obtain ticket(s) for himself or his family.

The licenses obtained under the Rajasthan Cinemas Rules shall be displayed prominently on walls of the office of the cinema. The Rajasthan Cinemas Rules also provide for certain restrictions and prohibitions with respect to maintenance of the cinema and authorises certain authorities/ officers to inspect the premises of the cinema at all hours.

Entertainment Tax laws

Various states have enacted laws for imposition of taxes on establishments providing entertainment. In certain states, subject to compliance with certain prescribed conditions, exemptions from payment of entertainment taxes may be granted. The extent of entertainment tax reliefs, which may be available, varies from state to state.

The Bombay Entertainments Duty Act, 1923 (the "Bombay Entertainments Act")

The Bombay Entertainment Act provides for the levy of duty in respect of admission to entertainment in the State of Maharashtra. In terms of the Bombay Entertainments Act, "entertainment" includes any exhibition, performance, amusement game or sport to which persons are admitted for a consideration, or in the case of television, exhibition with the aid of any type of antenna or with a cable attached to it or a cable television or a direct-to-home payment by way of contribution or subscription or installation and connection charges or any charges collected in any manner whatsoever but does not include magic show and temporary amusement including games and rides.

The rate of entertainment tax levied varies, not only on the basis of the area within which the entertainment establishment conducts its business within the State of Maharashtra, but also on the type of entertainment that is provided.
The rate of entertainment tax levied within the State of Maharashtra is described in the table below:

Sr. No.	Area	Rate of Entertainment Duty on Payment for Admission Fixed by the Proprietor
1.	Within the limits of Brihan Mumbai Municipal Corporation	45%
2.	Within the limits of all other Municipal Corporations and Cantonments	40%
3.	Within the limits of 'A' Class Municipal Councils	34%
4.	Within the limits of 'B' Class Municipal Councils	28%
5.	Within the limits of 'C' Class Municipal Councils	22%
6.	Any other area not covered by entries 1-5	15%

The Bombay Entertainments Act stipulates the method of levy of the duty and the manner in which the State Government assesses the entertainment duty. Non-compliance with the provisions of the Bombay Entertainments Act would attract penalties in the form of imprisonment and/or monetary fines. The State Government has the power to make rules for securing the payment of the entertainments duty and for carrying out the provisions of the Bombay Entertainments Act.

For our business of owning and operating multiplex cinemas, we are entitled to concessions in entertainment tax for 100% for the initial 3 years of operations and for 75 % for two years thereafter. The criteria for a Multiplex Cinema Complex to be eligible to the entertainment tax concessions are as follows:

- The Multiplex theater owners are not to charge service charges till the period of concession expires;
- The proprietor must charge nothing less than the maximum entry charges imposed by other theaters in the concerned district of operation;
- The multiplex theater complex must be run consecutively for a period of 10 years from the date of commencement of operations;
- One theater in the complex shall be reserved exclusively for Marathi cinema for a total period of one month in a year;
- A multiplex complex operating within the limits of the Municipal Corporation of Brihan Mumbai shall have a minimum of four theaters within the complex and total seating capacity of not less than 1250. A multiplex complex operating outside the limits of the Municipal Corporation of Brihan Mumbai shall have to have a minimum of three theaters within the complex and total seating capacity of not less than 1000.

The Gujarat Entertainments Tax Act, 1977 (the "Gujarat Entertainments Tax Act")

The Gujarat Entertainments Tax Act provides for the levy of duty in respect to entertainment in the State of Gujarat. According to the Gujarat Entertainments Tax Act, "entertainment" is defined to include cinematograph shows, any exhibition, performance, amusement, game or sport to which persons are admitted for a payment. Entertainment tax in Gujarat comes from three major sources, viz. tax on individual ticket, compound tax and monthly tax to be paid depending on the size of the auditorium where the exhibition takes place.

As per the current amendments, the tax on individual ticket is 50% of every payment for admission and the compound tax for cinema is fixed at 20% of the gross tax collection of a show divided by twelve. Lastly, the monthly tax payable by the proprietor, dependent on the size of the auditorium, shall be as illustrated in the table below:

No. of Seats	Tax to be paid
Not more than 30	Rs.1000/-
More than 30 but less than 50	Rs.2000/-
More than 50 but less than 75	Rs.2500/-
More than 75 but less than 100	Rs.3000/-
More than 100 but less than 125	Rs.4000/-

Goa, Daman And Diu Entertainment Tax Act, 1964 (The "Goa Entertainment Tax Act")
The Goa Entertainment Tax Act provides for the levy of duty in respect of admission to entertainments in the Union Territory of Goa, Daman and Diu. The term "entertainment" includes cinematograph shows, any exhibition, performance, amusement, game or sport to which persons are admitted for payment. The amount of entertainment tax that shall be levied and paid to the Government shall depend on the payment made by each individual for admission. At present the entertainment tax is 30% of the ticket price if it does not exceed Re. 1/-. If the ticket price exceeds Re.1/- the tax rate is 40%. In addition to the entertainment tax levied, additional 10% of the entertainment tax on each ticket will be levied and paid as surcharge to the Government.

The department of finance, Government of Goa has by notification introduced a scheme "The Goa Entertainment Tax based subsidy for Cinema Houses (Theatres) Scheme, 2004" (the Scheme) whereby the Government of Goa will reimburse the entertainment tax paid by the cinema theatres/ Multiplexes as subsidy on 100% basis for a period of 5 years. The Scheme came into force from November 22, 2004 and shall remain in force upto November 22, 2009.

THE BENGAL AMUSEMENTS TAX ACT, 1922 (THE "BENGAL AMUSEMENTS TAX ACT")
The Bengal Amusements Tax Act provides for the levy of duty in respect of admission to entertainment in the State of West Bengal. According to the Bengal Amusements Tax Act, "entertainment" is defined to include any exhibition, performance, amusement game or sport to which persons are admitted for a payment. The entertainment tax payable under the Bengal Amusements Tax Act includes service charge paid on each ticket along with tax to be paid on the price of each ticket. As per the current amendments, the tax levied is 30% of the ticket price and the service charge depend on the theatre/auditorium where the exhibition takes place.

In case of a fan-cooled theatre/auditorium the service charge would be not be more than Rs. 2/-, in case of a blower-cooled theatre/auditorium the service charge would be not more than Rs. 2.50/- and in case of an air-conditioned theatre/auditorium the service charge would be not more than Rs. 3/-. The service charge levied is mainly for the proprietor to maintain, repair etc the place of exhibition. The Bengal Amusements Tax Act provides for exemptions of entertainment tax in respect of cinematograph shows of certain languages like "Bengali", "Nepali" and "Santhali".

In case of newly opened multiplex theatre complex, the entertainment tax amount collected against tickets can be retained by the proprietor by way of subsidy for up to four years or till such date when the total amount of entertainment tax retained by the proprietor does not exceed the total amount invested for the purpose of making the new multiplex theatre complex, whichever is earlier from the date of commencing of such multiplex theatre complex. Further, if an existing cinema hall is converted into a multiplex theatre complex, the proprietor can retain the entertainment tax for upto three years or till such date when the total amount of entertainments tax retained by the proprietor does not exceed the total amount invested for converting an existing cinema hall into a Multiplex theatre complex, whichever is earlier from the date of commencing of such multiplex theatre complex.

Karnataka

The Karnataka Entertainments Tax Act, 1958 (the "Karnataka Entertainment Act") provides for the levy of entertainment tax in the state of Karnataka. "Entertainment" is defined to include cinematograph shows. Currently, such entertainment tax is levied at the rate of 40% of the net value. Further, an additional tax is levied on cinematograph shows. In the case of cinematograph shows held in a cinema theatre situated within the limits of a local authority whose population does not exceed 75,000, tax is levied at rates varying from 10 to 25% of the gross collection capacity.

Exemptions from payment of entertainment duty are available in respect of cinematograph shows of certain Kannada, Kodava, Konkani, Tulu or Banjara films. Further, Section 7A of the Karnataka Entertainment Act empowers the state government to exempt or reduce payment of tax in respect of entertainments held in newly constructed cinema theatres.

Under the order number ITKC/296/TTT/2000 dated January 20, 2003 issued by the Government of Karnataka read with the state Tourism Policy, 2002-07, exemptions from payment of entertainment tax were made available upto 100% for the first three years and 75% for the next two years to I-Max theatres only.

Rajasthan

The Rajasthan Entertainments and Advertisements Tax Act 1957 (the "Rajasthan Entertainment Act") provides for the levy of "entertainment tax" and "advertisement tax" in the State of Rajasthan. "Entertainment is defined to include any exhibition (show) performance, amusement, game or sport to which persons are admitted for payment. Currently, such entertainment tax is levied at the rate of 100% *vide* notification dated 9th March 1976. Further, additional entertainment tax is levied at the rate of:

(i) For seats not exceeding 300: Rs.1/- per 100 seats or part thereof per show, exhibition or performance;
(ii) For seats exceeding 300: For the first 300 seats as above and Rs. 2/- per show, exhibition or performance for every additional 100 seats or part thereof.

Subject to the condition that the maximum amount of tax shall not exceed:

(i) Rs. 10/- per show, exhibition or performance in all towns having a population of above 1 lakh;
(ii) Rs. 6/- per show, exhibition or performance in all towns having population exceeding 50,000 but not exceeding 1 lakh;
(iii) Rs. 3/- per show, exhibition or performance in all towns having population exceeding 15,000 but not exceeding 50,000;
(iv) In all other places, Rs. 2/- per show, exhibition or performance.

The Department of Finance, Government of Rajasthan issued a notification dated 15th March 1996 granting an exemption from payment of entertainment tax (including additional entertainment tax) for a period of five years payable by a new cinema hall commencing exhibition upto March 31, 2000. Thereafter, the said notification was amended *vide* another notification dated March 30, 2000 to provide that the aforesaid exemption benefit would be admissible to those cinema halls which commence commercial exhibition of films upto March 31, 2002.

Subsequently *vide* another notification dated February 18, 2002 as amended *vide* another notification dated August 8, 2002, remission from entertainment tax (including additional entertainment tax) was made available to newly built Multiplex Cinema Halls and Drive-in-Cinema/ Theatres, commencing commercial exhibition on or before March 31,2002 at the following rates:

1) 100% in 1st & 2nd year
2) 90% in 3rd year
3) 80% in 4th year
4) 70% in 5th year

Any Multiplex which intends to obtain the benefit of any exemption notification must make an application in the prescribed form, at least ten days before it first begins to avail of the benefit of any exemption.

LABOUR LAWS

The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981 (the "Cinema Workers Act") and The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Rules, 1984 (the "Cinema Workers Rules")

The Cinema Workers Act provides for regulation of conditions of employment of certain cine-workers and cinema theatre workers and for matters connected therewith. The Cinema Workers Rules came into force from October 1, 1984.

The Cinema Workers Act further states that the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and the Payment of Gratuity Act, 1972 shall apply to every cinema in which five or more workers are employed on any day.

HISTORY & CERTAIN OTHER CORPORATE MATTERS

Our Company was incorporated as a public limited company as "Inox Leisure Limited" *vide* a certificate of incorporation dated November 9, 1999 under the Companies Act with the Registrar of Companies, New Delhi. We obtained the certificate of commencement of business on February 11, 2000.

Since our incorporation, we have changed our registered office once. At the time of incorporation of our Company, our registered office was situated at A/6 Connaught Place, New Delhi. Subsequently, we changed our registered office to the current Registered Office, which is situated at ABS Towers, Old Parda Road, Vadodara, Gujarat – 390007 and the same was confirmed by the Company Law Board, Northern Region Bench *vide* its order dated March 11, 2004.

We are in the business of setting up and operating a national chain of world class multiplex cinema theatres. We have at present eight operating properties situated across the country.

The chronology of key corporate events since our incorporation in 1999 is as follows:

Year	Key Corporate Events
2002	• Commencement of operations at our first Multiplex, being our four-screen Pune Multiplex • Commenced operations at our four-screen Vadodara Multiplex
2003	• Commenced operations at our first Multiplex on leased premises, being the four-screen Elgin Road, Kolkata Multiplex
2004	• Change of our registered office from Delhi to Vadodara, Gujarat • Commenced operations at our second four-screen Salt Lake, Kolkata Multiplex • Commenced operations at our fifth Multiplex, being a four-screen Goa Multiplex • Commenced operations at our first five-screen Mumbai Multiplex
2005	• Awarded 'Best Entertainment Retailer' by ICICI Retail Excellence Awards 2005 • Commenced operations at our second five-screen Bangalore Multiplex • Entering into distribution business by signing of distribution agreements for few Hindi movie titles in select territories • Commenced operations at our eighth Multiplex, being our two-screen Jaipur Multiplex acquired by us • Entered into MoU with Pantaloon Group, for preferential access to multiplex areas in all real estate developments with which the Pantaloon Group is associated

MAIN OBJECTS OF THE COMPANY

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

1. To carry on the business of operating Multiplex Entertainment Complexes, including cinemas, theatres, family entertainment and amusement centers, food courts, restaurants, and all kinds of business relating to movie exhibition, entertainment, hotel and tourism related industries.

2. To secure, develop, operate, collaborate, construct, maintain, manage, promote, own, procure, utilise and/or to initiate, either alone or in association with others in with tie-ups, agreements, joint ventures, collaborations, or otherwise Multiplex Entertainment Complexes, including Multiple Cinema, three dimensional cinemas, seat simulators, etc. inside and/or outside India,

3. To acquire land/or buildings, or parts thereof, to construct and/or demolish cinema/theatre halls, to acquire, purchase, hire, take/give on lease, sell, cinema/theatre halls, cinema/film projection equipment,

sound equipment, air conditioning plants or equipments or any other plant, machinery or equipment for on in connection with or ancillary to film production, exhibition or distribution, to purchase/sell/hire/rent/lease buildings or parts thereof, and to otherwise carry on real estate business of any kind.

4. To carry on the business of providing leisure entertainment, cultural promotion, amusement, sports health units, including amusement arcades, food courts, food plazas, fashion outlets, video parlours, go-karting facilities, bowing, gold courses fitness centers health centers, weight reduction centers restaurant eateries, fast-food centers, etc., as well as carry on all kinds of like business relating to entertainment, recreation, amusement, games sports, hotels, resorts, holiday resorts, motels restaurants and tourism related industries.

5. To establish, construct, manage and sound recording studios, cinematography and synchronizing studios and laboratories and to produce cinematographic and video films, feature entertainment, educational scientific and technical films, and to engage in the business of production distribution and extrication of film produced in India or abroad, with rights of exhibiting, releasing leasing, renting, distributing, redistributing, etc, and in espousing of these rights.

6. To acquire, purchase, procure under lease, rent or contract, studios, theatres, cinemas, auditoriums music halls, and other places of amusement entertainment, traveling, bioscope talks, and film production and processing studios, sound recording studios, laboratories and all kinds of plant machinery equipment, structures, fixtures, indoor and outdoor mobile filming and recording vehicle vans and systems necessary or required to facilitate the operations of the company and objects contained herein, whether in India or abroad.

7. To establish, cable television networks in cities, towns villages, or elsewhere, whether in India and abroad alone or in association with others, and to sell such cable television programs, or transmission time for exchange or consideration other than financial, but for mutual benefit and gain, and to obtain licenses clearances, permissions, from central and state governments and their agencies, metropolitan municipal and urban authorities, in India or abroad for the establishment of cable television networks, and for carrying on of business of the company and to facilitate its activities.

8. To hire or acquire satellite broadcast transmission channels and use them for the purpose and businesses of the company, and re-hire or lease them to other governments, agencies, institutions, private organisations, concerns, associations and individuals in India and abroad and join in channel sharing with others.

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

CHANGES IN OUR MEMORANDUM OF ASSOCIATION

Since inception, the following changes have been made in our Memorandum of Association:

Sr. No.	Resolution Date of Amendment	Amendment
1	March 27, 2001	The authorised share capital of our Company was increased from 25,000,000 Equity Shares of Rs. 10/- to 50,000,000 Equity Shares of Rs. 10/- each.
2	July 23, 2003	The authorised share capital of our Company was increased from 50,000,000 Equity Shares of Rs. 10/- to 75,000,000 Equity Shares of Rs. 10/- each.
3.	April 27, 2004	Change of registered office from Delhi to Vadodara, Gujarat

OUR SUBSIDIARIES

We do not have any subsidiary.

OTHER MATERIAL AGREEMENTS

As on the date of filing this Draft Red Herring Prospectus with SEBI, we are not a party to any material contract:

(i) not being a contract entered into in the ordinary course of our business carried on or intended to be carried on by us; or

(ii) which was entered into more than two years before the date of filing of this Draft Red Herring Prospectus with SEBI.

Our Company has not entered into any shareholders' agreement.

STRATEGIC PARTNERS

Our Company does not have any strategic partners.

However, we have entered into an alliance with Pantaloon Group of Companies ("Pantaloon Group"), by way of two Memoranda of Understanding with Pantaloon Retail India Limited and PFH Investment Advisory Company Limited (MoUs). The broad objective of this alliance:

1. for Pantaloon it makes available a high quality multiplex operator for all properties it is associated with; and
2. for us is that it provides preferential access to all real estate developments that Pantaloon is associated with through any of its group companies/ funds managed by it on competitive terms.

In terms of the said MoUs, in respectof all properties being developed by the Pantaloon Group, Inox shall be entitled to participate in negogiations for acquisition of the property (in case of third party acquuisitions), Pantaloon Group shall take Inox's input on the key parameters on the layout and design on the multiplex component in that development, and shall offer the said multiplex area to Inox on preferential basis.

FINANCIAL PARTNERS

Our Company does not have any financial partners.

OUR MANAGEMENT

BOARD OF DIRECTORS

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

Name, Father's/ Husband's Name, Address, Nationality, Occupation and Term (including Rotational status)	Designation	Age (years)	Other Directorships
Mr. Pavan Jain S/o Mr. Devandra Jain Benzer Terrace, 94, Worli Sea Face, Mumbai – 400018 Indian Occupation: Industrialist Retire by rotation	Non-Executive Director	54	1. Devansh Gases Private Limited 2. Devansh Trading and Finance Private Limited 3. Gujarat Flurorochemicals Limited 4. Inox Air Products Limited 5. Inox Chemicals Private Limited 6. Inox Global Services Limited 7. Inox India Limited 8. Inox Leasing and Finance Limited 9. Rajni Farms Private Limited 10. Refron Cylinders Limited 11. Siddapavan Trading and Finance Private Limited 12. Siddo Mal Air Products Private Limited 13. Siddo Mal Investments Private Limited 14. Sitashri Trading and Finance Private Limited 15. Vindyachal Hydro Power Limited
Mr. Vivek Jain S/o Mr. Devandra Jain 36, Golf Links, New Delhi – 110003 Indian Occuaption: Industrialist Retire by rotation	Non-Executive Director	50	1. Devansh Gases Private Limited 2. Devansh Trading and Finance Private Limited 3. Gujarat Flurorochemicals Limited 4. Inox Air Products Limited 5. Inox Chemicals Private Limited 6. Inox DPNC Outsourcing Private Limited 7. Inox Global Services Limited 8. Inox India Limited 9. Inox Leasing and Finance Limited 10. Kingston Smith INOX-DC Outsourcing Private Limited 11. Rajni Farms Private Limited 12. Refron Cylinders Limited 13. Siddapavan Trading and Finance Private Limited 14. Siddo Mal Air Products Private Limited 15. Siddo Mal Investments Private Limited 16. Sitashri Trading and Finance Private Limited 17. Vindyachal Hydro Power Limited
Mr. Deepak Asher S/o. Mr. Ranjit Asher 17/1, Utakanth Society, Behind Alkapuri Club, RC Dutt Road,	Non-Executive Director	46	1. Inox Leasing and Finance Limited

Name, Father's/ Husband's Name, Address, Nationality, Occupation and Term (including Rotational status)	Designation	Age (years)	Other Directorships
Alkapuri, Vadodara – 390007 Indian Occupation: Service Retire by rotation			
Mr. Sundeep Singh Bedi S/o. Mr. T. S. Bedi 209, Golf Links, New Delhi – 400018 Indian Occupation: Industrialist Retire by rotation	Non-Executive and Independent Director	49	1. Kaleidoscope Entertainment Private Limited 2. Kaleidoscope India Private Limited 3. Cyber Media Foundation Private Limited 4. Film Completion Services Private Limited
Mr. Siddharth Jain S/o. Mr. Pavan Jain Benzer Terrace, 94, Worli Sea Face, Mumbai – 400018 Indian Occupation: Industrialist Retire by rotation	Non-Executive Director	27	1. Devansh Gases Private Limited 2. Inox Air Products Limited 3. Inox Chemicals Private Limited 4. Inox India Limited 5. Inox Leasing and Finance Limited 6. Kingston Smith INOX-DC Outsourcing Private Limited 7. Rajni Farms Private Limited 8. Refron Cylinders Limited 9. Siddhapavan Trading and Finance Private Limited
Mr. Vimal Mittal S/o. Mr. K. L. Mittal 136, Puspanjali, Vikas Marg Extension, New Delhi – 110092 Indian Occupation: Retire by rotation	Non-Executive and Independent Director	70	1. Gujarat Flurorochemicals Limited 2. Sybli Industries Limited 3. Cost Plus Limited 4. Silver Smith India Limited 5. Niryat Sam Apparels (India) Limited 6. Anchor Fincap Private Limited

BRIEF BIOGRAPHIES OF OUR DIRECTORS

Brief biographies of our directors are given below:

Mr. Pavan Jain, Director

Mr. Pavan Jain is a chemical engineer from IIT, New Delhi having over 30 years of experience, He is the managing director of Inox Air Products Limited for the last more than twenty years. Under his stewardship, Inox Air Products Limited has grown from a single plant business to one of the leading domestic players in the industrial gas business

Mr. Vivek Jain, Director

Mr Vivek Jain is a graduate in economics from St Stephens, New Delhi, and a post graduate in business administration, with specialisation in finance, from the Indian Institute of Management, Ahmedabad. He has business experience of over 25 years and is currently the Managing Director of Gujarat Fluorochemicals Limited.

Mr. Deepak Asher, Director

Mr. Deepak Asher is a commerce and a law graduate. He is also Fellow Member of the Institute of Chartered Accountants of India and an associate member of the Institute of Cost and Works Accountants of India. He has an experience of around 25 years in the field of finance, accounts, taxation legal and corporate matters. Currently, he is the President of the Multiplex Association of India and a member of the FICCI Entertainment Committee. He won the Theatre World Newsmaker of the Year Award in 2002 for his contribution to the multiplex sector.

Mr. Sundeep S Bedi, Director

Mr. Sundeep Bedi is a commerce graduate and has completed his management in business administration from the Jamnalal Bajaj Institute, Mumbai. He is film producer by profession and has produced films like 'The Rising', 'Sathiya', 'Maqbool' and 'Bandeet Queen'. Currently, he is the Chairman of the Entertainment Sector of Confederation of Indian Industry, New Delhi and a member of the Adviosory Committee of Ministry of Information and Broadcasting, New Delhi.

Mr. Siddharth Jain, Director

Mr. Siddharth Jain has graduated from the University of Michigan – Ann Arbor, with a Bachelor of Science in Mechanical Engineering and has 5 years of work experience in management positions. He is currently pursuing his MBA.

Mr. Vimal Mittal, Director

Mr. Vimal Mittal is a M.A., LL.B. and a retired IRS (Indian Revenue Services) officer. He was formerly the Chief Commissioner of Income Tax. He has served in various capacities in the Government of India and as taxation adviser to the Government of Barbados (West Indies). He is currently practicing as a tax consultant.

BORROWINGS POWERS OF THE DIRECTORS

Vide an ordinary resolution approved at the annual general meeting of the shareholders held on September 10, 2004 the current borrowing powers of the Directors pursuant to Section 293(1)(a) and Section 293(1)(d) of the Companies Act is Rs. 3,000 million.

Compensation of Our Directors

We do not have any whole-time Directors. For the financial year 2004-05, we did not pay any compensation to our Directors.

Appointment of Manager:

We have appointed Mr. Manoj Bhatia, our Chief Executive Officer, as manager (under Companies Act) at our EGM held on October 28, 2005 (with effect from October 1, 2005). Pursuant to the provisions of section 269 of the Companies Act, we were required to appoint either a whole-time director or manager from March 31, 2000 and thus we were not compliant with the provisions of the said section in the intermediate period from March 31, 2000.

Brief profile of Mr. Manoj Bhatia is as follows:

Mr. Bhatia, aged 43 years, has graduated from *Ecole des Roche*, a premier hotel school in Switzerland. He joined The Oberoi Hotels in the year 1985. In the year 1991, he was associtaed with King Edward Hotel in Toronto. He was involved in setting up the *Hotel Marine Plaza* in Bombay in the capacity of Regional Director and General Manager. Before joining our Company, he was general manager at The Taj President Hotel. He was awarded the Best General Manager (Luxury Hotel) by Hotel Foods & Services and is also the recipient of the prestigious Certified Hotel Administrator (CHA) from the American Hotel & Lodging Association. At present he is designated as the CEO of our Company (in addition to being the "Manager" under Companies Act) and is in-charge of our expansion plans and projects.

The terms and conditions of his appointment (as contained in the resolution passed at the EGM held on October 28, 2005) are as follows:

Period of appointment: 1 year from 1st October 2005 to 30th September 2006

Remuneration:

- Basic Salary : Rs.11,22,000/- p.a.
- House Rent Allowance : Rs. 6,73,200/- p.a.
- Provident Fund : Rs. 1,34,640/- p.a.
- Gratuity : Rs. 54,160/- p.a.
- Leave Travel Allowance : Rs. 72,000/- p.a.
- Medical Reimbursement : Rs. 36,000/- p.a.
- Petrol Reimbursement : Rs. 72,000/- p.a.
- Telephone Reimbursement : Rs. 36,000/- p.a.

Further, Mr. Manoj Bhatia would be entitled to a Company maintained car for official use.

Mr. Manoj Bhatia may further be granted options to subscribe to our Company's Equity Shares by the Board of Directors or any Committee thereof, at their discretion, under any Employee Stock Option Scheme which may be adopted by the Company.

The Board of Directors are authorised to fix the remuneration of Mr. Manoj Bhatia in pursuance of the above.

The Board of Directors of the Company are also authorized to increase the above remuneration subject to the limits prescribed under Section 198, 309 and other applicable provisions of the Companies Act from time to time.

In the event of inadequacy of profits, Mr. Manoj Bhatia would be paid remuneration as per the limits mentioned in Part II of Schedule XIII of the Companies Act, 1956 and other applicable legal provisions and the Articles of Association of our Company.

Termination:

3 months notice from either side.

Other Terms and conditions:

As per the rules of the Company.

Powers and authorities: Mr. Manoj Bhatia shall have such powers and authorities as a Manager of the Company as may be decided by the Board of Directors in terms of Article 173A and other applicable Articles of the Articles of Association of our Company.

CORPORATE GOVERNANCE

We have an Audit Committee constituted by the Board meeting on May 30, 2001, in accordance with section 292A of the Companies Act.The Audit Committee consists of the following Directors of the Board:

1. Mr. Vimal Mittal, Chairman
2. Mr. Deepak Asher, Member
3. Mr. Sundeep Bedi, Member

All the members of the Audit Committee are non-executive Directors, while Mr. Vimal Mittal and Mr. Sundeep Bedi are Independent Directors. The Chairman of the Audit Committee, Mr. Vimal Mittal, is a non-executive and an independent Director.

The terms of reference of the Audit Committee were revised at our Board meeting held on October 17, 2005 and the current terms of reference of the Audit Committee are as follows:

- 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.
- 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.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Appointment, removal and terms of remuneration of internal auditors
- 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 Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;

  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.

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- Monitoring the use of the proceeds of the proposed initial public offering of our Company
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- 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.
- Discussions with internal auditors on any significant findings and follow up there on.
- Reviewing internal audit reports in relation to internal control weaknesses
- Reviewing management letters/letters of internal control weaknesses issued by the statutory auditors;
- 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.
- 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.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the whistle blower mechanism, when the same is adopted by our Company and is existing.

Our Company has constituted a Shareholder/Investors Grievance and Share Transfer Committee at its Board meeting held on October 17, 2005. The Committee currently consists of:

1. Mr. Pavan Jain, Member;
2. Mr. Vivek Jain, Member;
3. Mr. Deepak Asher, Member

The terms of reference of the Share Transfer and Investor Grievances Committee are approval of transfer of Company's shares and redressal shareholder and investor's grievances like transfer of shares, non-receipt of annual report, non-receipt of dividends etc.

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We intend to comply with such provisions. We undertake to adopt the Corporate Governance Code in accordance with Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to obtaining the listing approval of the Stock Exchanges.

SHAREHOLDING OF DIRECTORS

Details of the shareholdings of our Directors in our Company as on the date of filing this Draft Red Herring Prospectus are given in the following table:

Name of the Director	No. of Equity Shares held	As a % of Pre-Issue paid up capital
Mr. Pavan Jain - as nominee of GFL* - in individual capacity Total	 100 1,250,000 1,250,100	 2.6044
Mr. Vivek Jain - as nominee of GFL* - in individual capacity Total	 100 1,250,000 1,250,100	 2.6044
Mr. Deepak Asher*	100	0.0002
Mr. Siddharth Jain*	100	0.0002

* - 100 Equity Shares are held in their capacity as nominees of GFL.

INTEREST OF DIRECTORS

All our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committees thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them. Further, our Directors may also be deemed to be interested to the extent to the options, if any, which may granted to them under the ESOP Scheme

None of our Directors are in whole-time employment of our Company. Further, none of our Directors have, in financial year ended March 31, 2005 or for the half-year ended September 30, 2005 been paid any sitting fees or other remuneration. No options have been granted to any Director under the ESOP Scheme as on the date of filing the Draft Red Herring Prospectus with SEBI.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by and allotted/transferred to the companies, firms and trust, in which they are interested as directors, members, partners and or trustees.

None of our Directors had any interest in the promotion of our Company, or in any property acquired by our Company within two years of the filing of the Draft Red Herring Prospectus with SEBI, or in any property proposed to be acquired by our Company.

Our Company has entered into a financing agreement dated March 18, 2004 with Kaleidoscope Entertainment Private Limited (whose Managing Director is Mr. Sundeep Bedi, our Director), and has accepted a letter dated March 18, 2004 from Kaleidoscope Entertainment Private Limited ("**KEPL**") to our Company, as supplementary to the aforesaid Financing Agreement (the Financing Agreement and the letter together referred to as the "**Financing Agreements**"). *Vide* the Financing Agreements, our Company had agreed to participating in financing the production of the film "The Rising" (referred to as the **"Film",** and the production and completion of the Film being referred to as the **"Project"**), by giving funds to KEPL to the extent of Rs. 75,000,000/- (Rupees Seventy Five Million Only) as a part of the production cost for the Film, subject, *inter alia*, to the following major terms and conditions:

1. KEPL has assured our Company of a recovery of total amounts disbursed by Inox pursuant to the Financing Agreements, plus interest @ 9% per annum, compounded quarterly from the date of respective disbursement upto the date of expiry of two months from the date of release of the Film;
2. Our Company shall be entitled to receive 15.625% of the profits from the Project;
3. Our Company would be eligible to share the profits from the Project for a period of ten years from the date of commercial release of the Film;
4. Our Company would have exclusive premiere (first performance of the Film) rights of the Project at all its Multiplexes across India;
5. Subject to the first created in favour of IDBI by way of lien on the primary negatives of the Film to secure IDBI's loan for purposes of the Project, and due satisfaction of IDBI's charge and repayment of IDBI's loan along with interest, rights in the primary negatives of the Film shall remain vested in the name of our Company and certain other identified investors in the Project, in proportion of the investment made, until such point of time when the initial investment by our Company and the other identified investors is entirely recouped.

The Film was commercially released on August 12, 2005. Pursuant to agreed terms, we had an option to convert receivables from KEPL into equity shares of KEPL at a pre-agreed price till October 27, 2005. *Vide* letter dated October 19, 2005, the option to convert receivables is now extended upto March 31, 2006 and may be further extended by mutual consent of KEPL and us.

CHANGE IN BOARD OF DIRECTORS

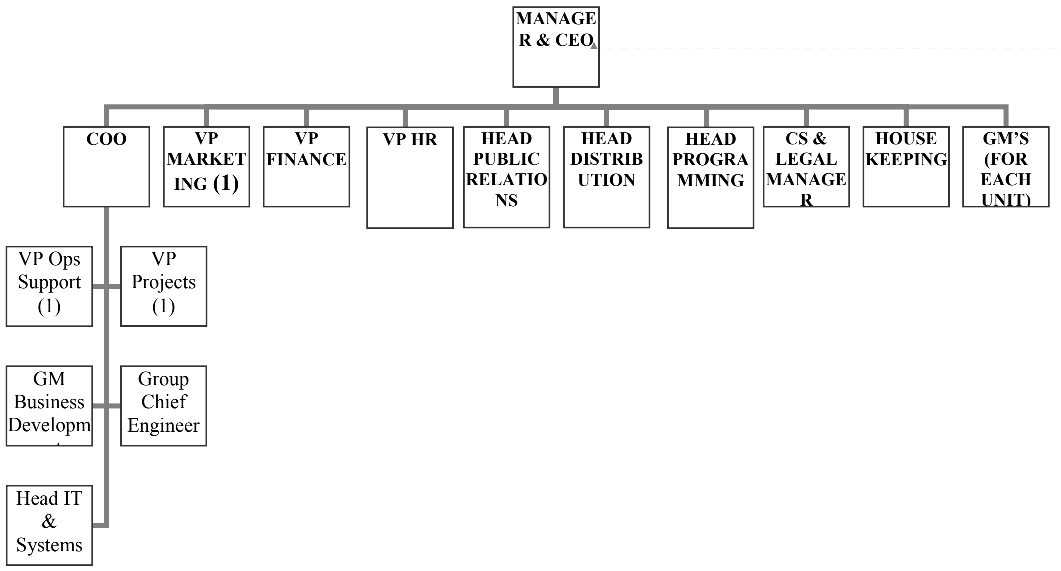
Details of change in our Board of Directors in last three years are given below:

Name of the Director	Date of joining	Date of cessation	Reason
Mr. Siddharth Jain	April 2, 2004	--	Appointed as an additional Director
Mr. Vimal Mittal	October 17, 2005	--	Appointed as an additional Director.

MANAGEMENT ORGANISATION STRUCTURE

Our management organisation structure for our corporate Office and our Operating Unit is given in the following diagram:

Organisation structure for corporate office:



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Organisation structure for unit office:
For detailed organisation structure of Opertaing Unit, please refer to section titled "Our Business" beginning from page 85 of the Draft Red Herring Prospectus.

KEY MANAGERIAL PERSONNEL

We intially appoint our key managerial personnel on probation for a period of 6 months before their confirmation. Brief Biographies of all our Key Managerial Personnel other than our CEO are given below. Please refer to sub-section "Appointment of Manager" on page 127 of this Draft Red Herring Prospectus for brief biography of our CEO.

Mr. Alok Tandon, Chief Operating Officer

Mr. Tandon, aged 41 years, is an engineer by qualification having an experience of over 18 years. He has been associated with the Hoechst, ITC Welcomgroup & the Oberoi group before joining our Company as Vice President (Technical) with effect from June 5, 2001. He was promoted to his current designation with effect from May 11, 2005 and handles wide responsibilities covering operations and technical resources, overseeing and steering of new project construction and evaluating, selecting properties for our expansion plans and projects.

Mr.Rajesh Jindal, Vice President (Finance)

Mr. Jindal, aged 32 years, has an experience in the field of accounts and finance for a peirod over 9 years. He has done his Management in Business Administration (MBA) from Narsee Monjee Institute of Management Studies of Mumbai University. He started his career as being a management trainee in Essar Steel Limited. During his association with the company, he was a part of working capital group and resigned as deputy manager (finance). Later, he joined Marico Industries Limited in the year 2000 to handle the treasury department. He went on to be Head (Finance & Commercial) for Kaya Skin Clinic Limited, a subsidiary of Marico Industries Limited. He joined our Company as a Vice President (Finance) with effect from August 8, 2005 with the responsibility of supporting the entire finance team and handling corporate finanance for our Company. His role in our Company includes overall control of accounting and finance, including monitoring finance and control systems of our Operating Units, evaluation of expansion proposals, profit planning, fund mangagement, etc.

Ms. Daizy Lal, Vice President (Operations and Support)

Ms. Lal, aged 36 years, has an experience of 15 years in hospitality and entertainment field. She has completed her diploma in hotel management in the year 1990. She started her career as an assistant manager (administration) with Hotel Tajmahal and had handled the banquet. Later, she joined as a business head (food and beverages) in the year 2002 with Fun Republic, a group of E City Entertainment Limited, where she gained experience on management of food and berverages section. Before joining our Company, she was associated with Old World Hospitality Pirvate Limited and held the post of corproate manager (partnerships), where she managed all hospitality services at Indian habitat center. She joined our Company from June 1, 2005 as Vice President (Operations Support) with the responsibility of providing support to the existing units in terms of operations and also contributing to concessions and other operations for our new projects and ventures.

Mr. Shrikant Hazare, Vice President (Marketing)

Mr. Hazare, aged 41 years, has an experience of 15 years in sales and marketing. He is an MBA (Finance and Marketing) from University of Pune and has worked with UB Group, Moet Hennessey and Seagram's. He started his career with UB Group as an Area Sales Executive. Later, he worked with Moet Hennessey for a period of one year, where he was handling south and west Regions. Later, he worked with Seagram's for a period of two years as marketing controller for east, west and south regions. He joined our Company with effect from January 5, 2004. At present he is responsible for marketing department which includes setting of revenue targets, building brand association, cost control on marketing, innovative marketing of movies and exposition of the properties operated by us.

Mr. Y. Murali Krishna, Vice President (Human resources)

Mr. Krishna, aged 38 years, has an experience of over 15 years in the field of human resources. He is a science graduate and a postgraduate in Human Resources from Narsee Monjee Institute of Management Studies of Mumbai University. He started his professional career in 1986 and has held various positions in his field including paper manufacturing, pharmaceuticals, aviation and hospitality industries both Indian and multinational organizations. His major assignments as Head of Human Resources were with Regent International Limited and Hyatt International Limited based at Mumbai. Prior to joining our Company with effect from August 22, 2005, he served as Director (Human Resources) with Hyatt Regency Limited, Mumbai. With association in our Company, he is responsible for developing vision, mission statements, formulation of HR plans, stabilization of HR polices and procedures, selection of employees and training.

Mr. Rajesh Parte, Company Secretary & Legal Manager

Mr. Parte, aged 35 years, has an experience of over 15 years in the field of legal and secretarial matters. He is a commerce graduate and obtained his law degree from University of Mumbai in the year 1993. He is an associate member of the Institute of Company Secretaries of India. He has worked with various Industries like chemicals, engineering and pharmaceuticals. His area of specialization includes company law, civil and criminal litigation, property transactions and various commercial contracts. He joined our Company with effect from July 11, 2005 and is responsible for all compliances under the various stautes and laws governing our Company including handling of litigation filed by and against us, handling acquisition of properties across the country, trademark registrations and other legal issues.

Under the provisions of Section 383A of the Companies Act, we were required to appoint a whole-time Company Secretary from March 31, 2000. Thus we were not compliant with the provisions of the said section in the intermediate period from March 31, 2000 till Mr. Parte's appointment.

All the abovementioned key managerial personnel are permanent employees of our Company, although some of them are currently on probation, since they have not completed six months from date of joining.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any Director or Key Managerial Personnel was selected.

Shareholding of Our Key Managerial Personnel in our Company

Our Articles of Association do not require our key managerial personnel to hold any Equity Shares in our Company. Currently none of the key managerial personnel hold Shares in our Company.

Bonus or Profit Sharing Plan for Our Key Managerial Personnel

There is no bonus or profit sharing plan with our Key Managerial Personnel save and except the bonus paid including under the payment of Bonus Act, 1972 to the Key Managerial Personnel.

Interest of Key Managerial Personnel

Except the payment of salaries and perquisites in accordance with their terms of employment and reimbursement of expenses incurred in the ordinary course of business, we have not paid / given any benefit to any of our key managerial personnel within the two preceding years and save and except as stated above and further to the extent to the options, if any, granted to any key managerial personnel of our Company under the ESOP Scheme, we do not intend to pay / give any benefit to any key managerial personnel of our Company.

Changes in our Key Managerial Employees during the last three years:

Name of Key Managerial Employees	Position Held	Date of Appointment (as applicable)	Date of change	Reason
Mr. J. S. Gavankar	Vice President (Projects)	February 7, 2000	August 16, 2005	Resigned
Mr. Shishir Baijal	Chief Executive Officer	January 1, 2001	May 15, 2005	Resigned
Mr. Alok Tandon	Chief Operating Officer	June 5, 2001	May 11, 2005	Promotion from Vice-President (Technical) to Chief Operating Officer
Mr. Sundaram	Chief Financial Officer	August 7, 2001	July 31, 2005	Resigned
Mr. G. J. Singh	Vice President (Operations)	August 13, 2001	July 31, 2005	Resigned
Mr. Shrikant Hazare	Vice President (Marketing)	January 5, 2004	--	Appointment
Mr. Manoj Bhatia	Chief Operating Officer	January 12, 2004	--	Appointment
Mr. Manoj Bhatia	Chief Executive Officer		March 01, 2005	Promotion from Chief Operating Officer to Chief Executive Officer
Ms. Daizy Lal	Vice President (Operation Support)	June 1, 2005	--	Appointment
Mr. Rajesh Parte	Company Secretary & Legal Manager	July 11, 2005	--	Appointment
Mr. Rajesh Jindal	Vice President	August 8, 2005	--	Appointment

Name of Key Managerial Employees	Position Held	Date of Appointment (as applicable)	Date of change	Reason
	(Finance)			

None of the Directors and Key Management Personnel, except Mr. Pavan Jain, Mr. Vivek Jain and Mr. Siddharth Jain, have any family relations between them.

Employees

Our Company has issued and allotted 500,000 Equtiy Shares on October 28, 2005 to "Inox Leisure Limited – Employee's Welfare Trust" (the "**Said Trust**") (trustee being Mr. Pavan Jain, Director of our Company) pursuant to the ESOP Scheme adopted at the Extraordinary General Meeting held on October 28, 2005 at a price of Rs. 15/- per Equity Share, being a premium of Rs. 5/- per Equity Share. The objects of the Said Trust and the provisions of our Articles of Association enable us to execute the ESOP Scheme and grant options thereunder to eligible employees (as defined in the ESOP Scheme and including whole-time Directors of our Company), if deemed fit. However, we have not granted any options to date under the said ESOP Scheme.

OUR PROMOTER

Our Promoter is Gujarat Fluorochemicals Limited, a listed company which holds 91.88% of our pre-Issue share capital. GFL was incorporated as "Gujarat Flourochemicals Limited" on February 4, 1987 and subsequently changed its name to "Gujarat Fluorochemicals Limited" *vide* fresh certificate of incorporation pursuant to change of name dated January 9, 1990. GFL is engaged in the business of fluorochemicals, and its main product is hydrochlorofluorocarbons. Fluorochemicals are primarily used as refrigerant and air conditioning appliances, propellants in aerosols, a blowing agent for insulating foam and other applications.

Since incorporation, GFL's registered office is situated at Survey no 16/3, 26& 27, Ranjitnangar 389380, Taluka Goghamba, District Panchmahals.

Brief history of GFL:

GFL was incorporated as a public limited company in the year 1987 and made its initial public offer in the year 1988. The initial promoters of GFL as mentioned in the prospectus were Industrial Oxygen Company Limited and Gujarat Investment Corporation Limited ("GIIC"), a corporation established by the Government of Gujarat.

Pursuant to a shareholder's agreement entered into between SMS Udyog Private Limited and GIIC dated March 22, 1988 (the "**Shareholder's Agreement**"), GIIC became the co-promoter of GFL. SMS Udyog Private Limited was a wholly-owned subsidiary of Industrial Oxygen Company Limited. Pursuant to a scheme of amalgamation of SMS Udyog Limited with Industrial Oxygen Company Limited and a scheme of reconstruction between Industrial Oxygen Company Limited and Inox Leasing and Finance Limited ("**ILFL**") as approved by the Bombay High Court *vide* order dated September 18, 1997, the equity shares of GFL held by Industrial Oxygen Company Limited were transferred to ILFL. Subsequently, pursuant to the Shareholders' Agreement, ILFL acquired GIIC's entire shareholding in GFL on April 6, 2000. Pursuant to the aforesaid transfer from GIIC to ILFL, GIIC ceased to be the promoter of GFL and the Shareholders' Agreement was terminated. In this manner, ILFL became the current promoter of GFL. ILFL is also the single largest shareholder in GFL and holds 49.93% of equity share capital of GFL. The name of Industrial Oxygen Company Limited has now been changed to Inox Air Products Limited.

Details of change in management, if any along with applicability of SEBI Takeover Regulations.

Details regarding transfer of GFL's shares from Industrial Oxygen Company Limited to ILFL were intimated to the stock exchanges where GFL's shares were listed *vide* letter dated June 15, 1998. The said transfer was exempt from the applicability of requirements regarding making public announcement to acquire shares under Regulation 3 of the SEBI Takeover Regulations since it was effected pursuant to a scheme approved by the Bombay High Court.

The transfer of GFL's shares from GIIC to ILFL was also exempt from the applicability of requirements regarding making public announcement to acquire shares under Regulation 3(specifically Regulations 3(1)(e)(iii)(b) and 3(1)(i), as per report filed with SEBI) of the SEBI Takeover Regulations, provided certain other compliances were fulfilled, which GFL has complied with. As required by regulation 3(3), the notices required to be given to the concerned stock exchanges were given *vide* ILFL's letter dated March 30, 2000 and the report required to be filed with SEBI under regulation 3(4) was also filed by ILFL *vide* letter dated April 26, 2000, and whose receipt was acknowledged by SEBI *vide* letter dated May 22, 2000.

Listing of equity shares of GFL: GFL was listed on BSE, NSE, the Calcutta Stock Exchange Limited, Vadodara Stock Exchange Limited, the Stock Exchange, Ahmedabad and on the Delhi Stock Exchange Association Limited. GFL had made applications to all regional stock exchanges to get its shares voluntarily delisted from those stock exchanges, and has obtained delisting approvals from the following regional stock exchanges, namely:

- Vadodara Stock Exchange Limited;
- the Stock Exchange, Ahmedabad; and
- the Delhi Stock Exchange Association Limited.

GFL has also applied for voluntary delisting from the Calcutta Stock Exchange Association Limited, and its approval for delisting is pending. Thus, as on the date of filing this Draft Red Herring Prospectus with SEBI, GFL's shares are listed on BSE, NSE and on the Calcutta Stock Exchange Association Limited.

GFL has belatedly filed the prescribed returns required to be filed within thirty days of the record date every year under Regulation 8(3) of the SEBI Takeover Regulations for the years 1997/1998 till 2005 *vide* its letter dated November 22, 2005 with the BSE, NSE, the Calcutta Stock Exchange Association Limited and to SEBI. GFL has communicated, *vide* the said letter dated November 22, 2005, the facts leading to the delayed filing, and has requested for condonation of delay in filing the same.

Split of equity shares of GFL: GFL's equity shares were split from one share of face value of Rs. 10/- per equity share (fully paid-up) to five shares of face value of Rs. 2/- per equity share (fully paid-up) *vide* resolution passed at GFL's annual general meeting held on September 16, 2005 and effective from October 18, 2005.

Brief history of ILFL, promoter of GFL: ILFL, in addition to being a company in the Promoter Group, is also the current promoter of GFL. ILFL was incorporated on February 17, 1995 as Inox Leasing and Finance Private Limited, and the word "Private" was deleted from its name pursuant to the provisions of section 43A of the Companies Act with effect from November 22, 1995. Further, ILFL changed its status from being a public company by virtue of section 43A of the Companies Act to being a public company but having the same name, that is "Inox Leasing and Finance Limited" *vide* certificate of change of name under the Companies Act, 1956 dated January 28, 1998. The main business of ILFL is to conduct the business as a finance company including financing industrial, commercial and business operations by means of loans, leasing, hiring and hire purchases, dealing in shares and securities. Currently ILFL, being an investment company, is engaged in the business of financing and investments in equity shares of the companies. ILFL has obtained certificate of registration to carry on the business of a non-banking finance institution *vide* Certificate of Registration No. B-13.01448 dated January 4, 2001. ILFL also gets rent income from office premises given on lease. From the year 2004-05, ILFL has also commenced the business of distribution of units of mutual funds, and gets brokerage income. ILFL is registered with Association of Mutual Funds of India ("**AMFI**") as a mutual fund advisor.

Vide Scheme of Amalgamation sanctioned by the Bombay High Court vide order dated April 22, 1999 Roland Industrial Company Limited was amalgamated into ILFL with effect from April 1, 1998 (which was the appointed date).

ILFL's shares were listed on the BSE pursuant to the provisions of the scheme approved by the Bombay High Court, as referred to in the paragraph titled "**Brief history of GFL"** on Page 137 above. Pursuant to a public announcement to acquire shares made under Regulation 11(1) of the SEBI Takeover Regulations by the following acquirers, namely Inox Chemicals Private Limited, Siddho Mal Air Products Private Limited, Siddho Mal Investments Private Limited, Siddhapavan Trading and Finance Private Limited, Sitashri Trading and Finance Private Limited and Devansh Trading and Finance Private Limited (the "**Acquirers**"), to acquire 2,708,756 equity shares of Rs. 10/- each, representing 25.51% of ILFL's equity share capital at an offer price of Rs. 10/- per equity share of ILFL, which offer was open from June 6, 2002 till July 5, 2002, public shareholding in ILFL fell to below 10% of its paid-up equity share capital. Therefore, the Acquirers made a subsequent offer, pursuant to the provisions of Regulation 21(3) of the SEBI Takeover Regulations, which offer was open from August 28, 2002 till September 26, 2002 and the exit window option was open to investors till February 26, 2003. Pursuant to the same, public shareholding in ILFL reduced to 5.22% of its paid-up equity share capital. ILFL reported the same to BSE, and subsequently BSE gave its approval for delisting of ILFL's equity shares with effect from April 30, 2003, *vide* its letter bearing no. LIST/RKK/SM/2003 dated March 27, 2003. .ILFL is currently not listed on any stock exchange.

Board of directors of GFL as on September 30, 2005 is as follows:

Name of Director	**Designation**
Mr. Devendra Jain	Chairman
Mr. Vivek Jain	Managing Director
Mr. D.K.Sachdeva	Whole time Director
Mr. Pavan Jain	Director
Mr. Shailendra Swarup	Director
Mr. Vimal Mittal	Director

GFL's shareholding pattern as on September 30, 2005 is given below:

S.No.	Category	No. of shares held	Percentage of shareholding
1.	Promoter (Inox Leasing and Finance Limited)	5,781,030	49.93
2.	Persons acting in concert	2,108,751	18.21
3.	Institutional investors	329,054	2.84
4.	Others	3,359,165	29.01
	Total	**11,578,000**	**100**

The audited unconsolidated financial performance of GFL in the last three financial years is as follows:

(Rs in million, except per share data)

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Sales (net)	1326.23	1521.93	1719.87
Profit after tax	333.72	528.90	446.31
Equity capital (par value Rs. 10/-* per share)	115.78	115.78	115.78
Reserves (excluding Revaluation Reserve)	2845.21	3434.31	39043.97
Earnings per share (Rs.)	28.82	45.68	38.55
Book value per share (Rs.)	255.74	306.62	347.19

* - GFL's equity shares were split from one share of face value of Rs. 10/- per equity share (fully paid-up) to five shares of face value of Rs. 2/- per equity share (fully paid-up) *vide* resolution passed at GFL's annual general meeting held on September 16, 2005 and effective from October 18, 2005. The calculations as regards per share data is on basis of face value of Rs. 10/- per equity share. Figures in this table, except number of equity shares, have been rounded off to the nearest million.

We confirm that that the PAN, bank account details, company registration number and the address of registrar of companies where our Promoter is registered will be submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with them. Further, GFL has not been detained as willful defaulters by the Reserve Bank of India or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them, except for belated filing of returns under SEBI Takeover Regulations, as explained in the paragraph titled "Listing of equity shares of GFL" beginning on page 137 of this Draft Red Herring Prospectus.

Common pursuits

There are no common pursuits between our Promoter and us, or any of our Promoter Group companies and us.

Particulars of nature and interest of GFL

GFL is the Promoter and significant majority shareholder of our Company, holding 93.75% of our pre-issue equity share capital.GFL may therefore be deemed to be interested to the extent of dividend, if any, declared by ILL.

There are certain transactions between our Promoter and us. For details, please refer to "Related Party Transactions" beginning on Page 171 of this Draft Red Herring Prospectus.

Our Company has reimbursed pre-incorporation expenses incurred by GFL towards our incorporation and paid service charges amounting to Rs. 12.00 million on March 31, 2000. Further, our Company has received share application moneys from GFL from time to time towards subscription of our Equity Shares, and a part of the same has been refunded to GFL as per following details:

Sr.No.	Financial Year ended in which refund made	Amount of refund (Rs.)
1.	2000 - 2001	52,500,000
2.	2001 - 2002	65,007,000
3.	2005 - 2006	36,200,000

Payment of benefits to GFL within the last two years

Except as contained in the section "Related Party Transactions" beginning on Page 171 of this Draft Red Herring Prospectus and as contained in the preceding paragraph titled "Particulars of nature and interest of GFL**"**, we have not made any payment or benefit to GFL in the last two years, and neither do we currently intend to pay any amount or give any benefit to GFL, other than the dividend, if any declared.

Promoter Group Companies

(i) Inox Leasing and Finance Limited; and
(ii) Inox Global Services Limited

(i) Inox Leasing and Finance Limited

ILFL, in addition to being a part of our Promoter Group, is also the promoter of our Promoter, i.e. GFL. For a brief snapshot and corporate history of ILFL, please refer to the sub-section titled "Brief history of ILFL, promoter of GFL" beginning on page 137 of this Draft Red Herring Prospectus. ILFL's registered office is situated at 69, Jolly Maker Chambers II, Nariman Point, Mumbai – 400021.

ILFL's equity shares are currently not listed on any stock exchange. The Board of Directors of ILFL as on September 30, 2005 comprises of Mr. Pavan Jain, Managing Director, Mr. Vivek Jain, Mr Siddharth Jain and Mr. Deepak Asher.

Shareholding pattern of ILFL as on September 30, 2005 is as follows:

S.No.	Shareholders	Number of shares	Percentage
1.	Mr. Pavan Jain, Mr, Vivek Jain and their relatives and investment companies controlled by them	102,49,080	96.52%
2.	Public shareholding	369,387	3.48%
	Total	1,06,18,467	100%

Audited financial results of ILFL for fiscal 2003, fiscal 2004 and fiscal 2005:

(Rs in million, except per share data)

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Income	22.08	25.79	95.72
Profit after tax	17.14	19.94	76.34
Equity capital (par value Rs.10/- per share)	10.62	10.62	10.62
Reserves (excluding Revaluation Reserve)	(6.30)	2.20	70.62
Earnings per share (Rs.)	1.32	1.22	6.53
Book value per Equity share of Rs. 10 each (Rs.)	9.41	10.21	16.65

(ii) Inox Global Services Limited

Inox Global Services Limited was incorporated on August 29, 2000 as a public limited company and obtained its certificate of commencement of business on October 3, 2000. Its registered office is situated at 612-618, Narain Manzil, 6th Floor, 23, Barakhamba Road, New Delhi-110001. It is engaged in the business of IT and IT-enabled services.

IGSL's equity shares are not listed on any stock exchange. The Board of Directors of IGSL as on September 30, 2005 comprises of Mr. Vivek Jain, Mr. Pavan Jain and Mr. Arun Jain.

Shareholding pattern of IGSL as on September 30, 2005:

S.No.	Name	No. of Shares	Percentage(%)
1.	Gujarat Fluorochemicals Limited	2,474,930	49.5
2.	Inox Leasing & Finance Limited	2,015,000	40.3
3.	Others	510,070	10.2
	Total	**5,000,000**	**100**

Audited financial results of IGSL for fiscal 2003, fiscal 2004 and fiscal 2005:

(Rs in million, except per share data)

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Sales (net)	19.38	99.14	131.16
Profit after tax	(111.86)	31.47	4.76
Equity capital (par value Rs. [10/-] per share)	50.00	50.00	50.00
Reserves (excluding Revaluation Reserve) *	(128.02)	(96.55)	(91.79)
Earnings per share (Rs.)	(46.30)	(2.90)	0.95
Book value per Equity share of Rs. 10 each (Rs.)	(15.60)	(9.31)	(8.36)

* Debit balance in P&L accountIGSL has defaulted on payment of dividends on preference shares issued to it. For details, please refer section titled "Outstanding Litigations and Defaults" beginning on page 192 of this Draft Red Herring Prospectus.

Companies with which our Promoter has disassociated in the last three years:

There are no companies with which GFL has disassociated itself in the last three years.

None of our Promoter Group companies are presently listed on any stock exchange, or have made any public or rights issues in the preceding three years.

None of our Promoter Group companies are a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 or are under winding up or have any BIFR proceedings initiated against them.

None of our Promoter Group companies have made a loss in the immediately preceding year. However, IGSL had accumulated losses and a negative net worth for the fiscals 2003, 2004 and 2005.

None of our Promoter Group companies have been struck off as a defunct company by any registrar of companies in India.

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

RELATED PARTY TRANSACTIONS

For details on our related party transactions, please refer to the section titled "Financial Statements" on page 145 of this Draft Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. No dividends have been declared by us since incorporation.

SECTION V: FINANCIAL STATEMENTS

Auditor's report as required by Part II of Schedule II to the Companies Act, 1956

To,
The Board of Directors
Inox Leisure Limited
2nd Floor, ABS Towers, Old Padra Road,
Vadodara – 390007

Dear Sirs,

We have examined the financial information of Inox Leisure Limited ('the Company'), annexed to this report, as approved by the Board of Directors, for the purpose of inclusion in the Offer Document which 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') and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 issued by the Securities and Exchange Board of India (SEBI) on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992, as amended by Notification SEBI/CFD/DIL/DIP/16/2005/19/19 dated September 19, 2005 ('the Guidelines') and related clarifications, and in accordance with the instructions received by us from the Company requesting us to carry out work in connection with the Offer Document being issued by the Company in connection with its Initial Public Offering of Equity Shares ('the Issue').

A. Financial Information as per the audited financial statements

We have examined:

a) The attached restated Balance Sheets of the Company as at 30th September 2005, 31st March 2005, 31st March 2004, 31st March 2003, 31st March 31, 2002 and March 31, 2001 (Annexure 1)
b) The attached restated statements of Profit and Loss Account for the six months period ended 30th September 2005 and years ended 31st March 2005, 31st March 2004 and 31st March 2003 respectively (Annexure 2)
c) The attached restated statements of Preoperative Expenditure Pending Allocation for the six months period ended 30th September 2005 and years ended 31st March 2005, 31st March 2004, 31st March 2003, 31st March 31, 2002 and March 31, 2001 respectively (Annexure 3)
d) The attached restated statements of Cash Flows for the six months period ended 30th September 2005 and years ended 31st March 2005, 31st March 2004, 31st March 2003, 31st March 31, 2002 and March 31, 2001 respectively (Annexure 4)

These Restated Summary Statements have been extracted from the financial statements after making such adjustments and regroupings as in our opinion are appropriate and more fully described in notes appearing in Annexure 5 to this report for these periods audited by us and have been approved/adopted by the Board of Directors/members for the respective periods.

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

1. Prior Period Items have been adjusted in these Restated Summary Statements in the years to which they relate (as disclosed in Annexure 5);
2. The accounting policies have been consistently applied by the Company (as disclosed in Annexure 6) and are consistent with those used in the previous year;
3. There are no qualifications in the auditors' report in the period covered by the Restated Summary Statements; and
4. There are no extra-ordinary items in the period covered by the Restated Summary Statements.

B. Other financial information

We have examined the following financial information relating to Inox Leisure Limited proposed to be included in the Offer Document, as approved by you and annexed to this report:

1. Significant Notes to Accounts (Annexure 7);
2. Details of rates of dividend paid by the Company (Annexure 8)
3. Accounting Ratios on restated profits (Annexure 9)
4. Capitalisation statement as at 30th September 2005 (Annexure 10)
5. Details of Other Income, as restated (Annexure 11)
6. Details of Unsecured Loans (Annexure 12)
7. Details of Sundry Debtors, as restated (Annexure 13)
8. Details of Secured Loans (Annexure 14)
9. Details of Investments (Annexure 15)
10. Details of Loans and Advances, as restated (Annexure 16)
11. Tax Shelter Statement (Annexure 17)
12. Details of Contingent Liabilities (Annexure 18)
13. Details of Related Party Transactions (Annexure 19)

In our opinion, the financial information of the Company, as attached to this report, as mentioned in paragraphs (A) and (B) above, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

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

For Patankar & Associates,
Chartered Accountants

(M Y Kulkarni)
Partner
Membership No. 35524

Place: Mumbai
Dated: 28th October, 2005

INOX LEISURE LIMITED

Annexure 1: Summary Statement of Assets and Liabilities, as restated (Rs. in million)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Fixed assets						
Gross block	1,667.23	1,524.67	832.29	751.02	175.79	93.26
Less: Accumulated depreciation	93.52	69.92	35.55	13.85	0.37	0.05
Net block	1,573.71	1,454.75	796.74	737.17	175.42	93.21
Capital Work in Progress, Capital Advances & Pre-Operative Expenditure pending allocation	8.45	48.42	496.69	112.92	310.15	67.94
Total	**1,582.16**	**1,503.17**	**1,293.43**	**850.09**	**485.57**	**161.15**
Investments	67.00	5.00	5.00	-	9.65	-
Current assets, loans and advances						
Interest Accrued	1.16	0.86	0.49	0.18	0.14	4.28
Inventories	4.24	3.45	1.45	1.12	-	-
Sundry Debtors	30.33	18.37	6.89	3.67	-	-
Cash and Bank balances	12.73	15.70	30.41	91.01	14.79	5.69
Loans and Advances	288.40	230.64	101.25	48.92	59.66	112.68
Total	**336.86**	**269.02**	**140.49**	**144.90**	**74.59**	**122.65**
Liabilities and Provisions						
Secured Loans	484.55	566.16	505.65	358.75	195.54	-
Unsecured Loans	551.46	401.46	339.73	100.00	-	-
Deferred Tax Liability	79.52	66.27	19.00	1.23	-	-
Current Liabilities	168.41	147.63	57.49	66.57	33.93	9.83
Provisions	13.57	5.38	1.82	0.97	0.37	-
Total	**1,297.51**	**1,186.90**	**923.69**	**527.52**	**229.84**	**9.83**
Net worth	688.51	590.29	515.23	467.47	339.97	273.97
Represented by:						
Equity share capital	450.00	450.00	450.00	450.00	342.00	250.00
Share application money	36.20	36.20	36.20	26.20	-	26.00
Reserves and surplus:						
Profit and loss account	205.02	107.70	35.46	0.51	-	-
	691.22	593.90	521.66	476.71	342.00	276.00
Less: Miscellaneous Expenditure	2.71	3.61	6.43	9.24	2.03	2.03
Net worth	**688.51**	**590.29**	**515.23**	**467.47**	**339.97**	**273.97**

Notes:

1. The above statement should be read with the Statement of Adjustments in the Restated Summary Statements (Annexure 5),
Significant Accounting Policies (Annexure 6) and Significant Notes to Restated Summary Statements (Annexure 7)

INOX LEISURE LIMITED
Annexure 2: Summary Statement of Profit and Losses, as restated

(Rs. in million)

	For Half year ended September 30, 2005	For FY ended March 31, 2005	For FY ended March 31, 2004	For FY ended March 31, 2003
Income				
Sales & Services	502.53	614.82	299.75	160.48
Other Income	5.55	11.56	10.52	3.01
Refund of Entertainment Tax	-	11.30	-	-
Total Income	**508.08**	**637.68**	**310.27**	**163.49**
Expenditure				
Entertainment Tax	15.82	20.57	11.44	4.42
Film Distributors Share	113.22	130.40	58.77	26.22
Cost of Food and Beverages	27.69	34.74	17.62	8.49
Operating and Administrative Expenses	143.47	222.73	113.56	75.37
Interest & Financial Charges	37.93	53.66	41.21	33.25
Depreciation	23.63	34.62	21.50	13.42
Total Expenditure	**361.76**	**496.72**	**264.10**	**161.17**
Net Profit before tax	**146.32**	**140.96**	**46.17**	**2.32**
Current Tax	34.50	11.50	3.60	0.20
Deferred Tax	13.24	47.27	17.77	1.23
Frienge Benefit Tax	1.35	-	-	-
Prior Period Taxation	-	0.11	(0.02)	-
Net Profit	**97.23**	**82.08**	**24.82**	**0.89**
Adjustments - Increase/(decrease) in profits (Refer Annexure 4)				
Sales & Services			(0.08)	0.08
Refund of Entertainment Tax		(11.30)	11.30	
Distributors Share	0.13	0.25	(0.25)	(0.13)
Operating and other Expenses		0.16	0.20	(0.36)
Depreciation		0.20	(0.20)	
Total Impact of adjustment	0.13	(10.69)	10.97	(0.41)
Tax Adjustments	(0.04)	0.85	(0.84)	0.03
Net Profit,as restated	**97.32**	**72.24**	**34.95**	**0.51**
Profit and loss account,beginning of the year/period	107.70	35.46	0.51	-
Balance carried forward, as restated	205.02	107.70	35.46	0.51

Summary of restated figures				
Net Profit before tax	146.45	130.27	57.14	1.91
Current tax & Deferred tax	47.78	57.92	22.21	1.40
Frienge Benefit tax & Prior period taxation	1.35	0.11	(0.02)	-
Profit after tax	97.32	72.24	34.95	0.51

Notes:

1. The above statement should be read with the Statement of Adjustments in the Restated Summary Statements (Annexure 5), Significant Accounting Policies (Annexure 6) and Significant Notes to Restated Summary Statements (Annexure 7)
2. As the Company had not commenced commercial operation up to 31st March 2002, no profit & loss account was prepared for the year ended 31st March 2001 and 31st March 2002. Instead the Company had prepared a statement of Preoperative Expenditure Pending Allocation. A summary of the same is given in Annexure 3.

INOX LEISURE LIMITED
Annexure 3 : Pre-operative expenditure pending allocation

(Rs. in million)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Opening Balance	16.58	73.84	37.68	46.29	28.91	28.65
Add: Expenses incurred during the year/period						
Salaries, Bonus etc.	1.25	2.46	0.68	2.33	8.02	0.90
Contribution to PF, ESIC etc.	0.10	0.19	0.07	0.16	0.47	-
Legal, Professional and Consultancy Charges	6.42	13.36	20.77	23.02	23.73	13.78
Travelling & Conveyance	1.55	2.17	2.75	2.84	3.81	2.17
Rent	4.05	0.26	0.13	0.71	4.83	1.34
Insurance	0.11	0.33	0.36	-		
Brokerage	0.87	0.68	1.16	-		
Electricity Charges	0.53	2.44	0.19	-		
Communication Expenses	0.14	0.36	0.11	0.31	1.17	0.23
Rates & Taxes	0.04	0.06	-	0.13	0.01	-
Donation	-	-	-	-	-	0.05
Launch Expenses	3.71	5.36	2.05	4.38	-	-
Miscellaneous Expenses	1.74	1.61	3.85	5.77	3.65	1.10
Interest - On fixed loans	2.19	14.14	27.00	7.89	12.65	-
Interest – Others	-	-	-	-	0.07	0.01
Provision for Diminution in value of current investment					0.02	-
Depreciation	-	-	-	0.07	0.32	0.04
Provision for Income-tax	-	-	-	-	1.70	1.60
	39.28	**117.26**	**96.80**	**93.90**	**89.36**	**49.87**
Less: Pre-operative Income earned during the year/period						
Dividend on Current Investments	-	-	-	-	0.17	0.14
Interest on Bank Deposits	-	-	-	0.09	0.18	-
Interest on Current Investment	-	-	-	-	3.21	3.75
Profit on sale of Current Investments	-	-	-	0.03	1.11	0.19
Miscellaneous Income	-	0.08	0.15	0.03	0.25	-
Tax Provision written back	-	-	-	0.07	-	-
	39.28	**117.18**	**96.65**	**93.68**	**84.44**	**45.79**
Less: Capitalised/Transferred to Capital Work in progress	33.98	98.28	20.68	51.25	38.15	16.88

Less: Expenses on Abandoned Project Written off	-	2.32	2.13	4.75	-	-
Closing Balance	**5.30**	**16.58**	**73.84**	**37.68**	**46.29**	**28.91**

Notes:

1. The date of operations of the Multiplex is taken as the date of commencement of first commercial show and all expenses incurred prior to the same are classified as preoperative expenses.

INOX LEISURE LTD

Annexure 4: Summary Statement of Cash Flows, as restated

Rs. in million

	For Half year ended September 30, 2005	For FY ended March 31, 2005	For FY ended March 31, 2004	For FY ended March 31, 2003	For FY ended March 31, 2002	For FY ended March 31, 2001
A. Cash flow from operating activities:						
Net Profit before tax	146.45	130.28	57.14	1.91	-	-
Adjustments for:						
Depreciation	23.63	34.42	21.70	13.42	-	-
Loss on assets sold	0.11	0.58	0.01	0	-	-
Amortization of Preliminary & Deferred Revenue Expenses	0.90	2.81	2.81	2.81	-	-
Dividend and Interest income	(4.12)	(4.90)	(9.37)	(2.64)	-	-
Deferred Revenue Expenses incurred				(10.02)	-	-
Interest expenditure	24.59	53.29	41.15	33.06	-	-
Operating profit before working capital changes	191.56	216.48	113.44	38.54	-	-
Adjustments for:						
(Increase)/decrease in Sundry Debtors	(8.27)	(5.17)	(3.23)	(3.67)	-	-
(Increase)/decrease in Loans and Advances	(53.11)	(99.32)	(12.73)	16.32	(9.54)	(44.63)
(Increase)/decrease in Inventories	(0.79)	(2.00)	(0.32)	(1.12)	-	-
(Increase/decrease in Current Liabilities & provisions	28.98	93.69	(8.23)	33.61	24.11	(7.88)
Cash generated from operations	158.37	203.68	88.93	83.68	14.57	(52.51)
Direct taxes paid	(35.54)	(10.33)	(4.52)	(6.12)	(1.27)	(2.35)
Net cash from operating activities (A)	122.83	193.35	84.41	77.56	13.30	(54.86)
B. Cash flow from investing activities:						
Purchase of fixed assets (including changes in capital advances, capital wip and Pre-operative expenditure pending allocation)	(102.76)	(244.77)	(465.06)	(377.93)	(327.37)	(141.77)
Sale of fixed assets	0.03	0.04	-	-	-	-
Investment purchased	(110.00)	(169.02)	(690.79)	(191.68)	(194.15)	(55.84)
Sale of investments	48.10	169.41	688.35	202.41	185.61	56.03
Intercorporate deposit received back	-	-	-	-	62.50	0.00
Advance for Film Production	(5.00)	(30.50)	(39.50)	-	-	-
Dividend Received	-	-	-	-	0.17	0.14
Interest Received	0.03	0.26	0.91	1.51	7.52	1.24
Net cash used in investing activities (B)	(169.60)	(274.58)	(506.09)	(365.69)	(265.72)	(140.20)
C. Cash flow from financial activities:						
Proceeds from issue of shares	-	-	-	108.00	65.99	172.49
Share application money received	-	-	10.00	26.20	-	26.00
Proceeds from Inter-corporate Deposits (net)	150.00	61.73	239.73	100.00	0	0

Proceeds from Term Loans (net)	(81.62)	60.51	146.89	163.21	195.53	-
Interest paid	(24.59)	(53.29)	(41.14)	(33.06)	0	0
Inflow/(Outflow) on currency swap	-	(2.43)	5.60		0	0
Net cash from/used in financing activities (C)	**43.79**	**66.52**	**361.08**	**364.35**	**261.52**	**198.49**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(2.98)**	**(14.71)**	**(60.60)**	**76.22**	**9.10**	**3.43**
Cash and Bank balances at the beginning of the year	15.70	30.41	91.01	14.79	5.69	2.26
Cash and Bank Balances at the end of the year	**12.72**	**15.70**	**30.41**	**91.01**	**14.79**	**5.69**

Notes:
1. The above statement should be read with the Statement of Adjustments in the Restated Summary Statements Annexure 5), Significant Accounting Policies (Annexure 6) and Significant Notes to Restated Summary Statements (Annexure 7).
2. The above amount are as per the Summary Statement of Assest and Liabilities, as restated and Summary Statement of Profits and Losses, as restated.

Annexure 5: Statement of Adjustments in the Restated Summary Statements

A. Restatements

1. Entertainment Tax Refund: One of the Company's Multiplexes at Kolkata commenced commercial operations during the year ended 31st March 2004. Since the exemption from the Entertainment Tax was not granted, the amount of Entertainment Tax paid by this Multiplex was charged to the Profit and Loss Account. Subsequently, during the year ended 31st March 2005, the exemption from the Entertainment Tax was granted w.e.f. the commencement of its commercial operations. Accordingly, the amount of Entertainment Tax paid in the year ended 31st March 2004 was credited to the Profit and Loss Account during the year ended 31st March 2005. In the Restated Summary Statements, this refund is recognised in the year to which it relates viz. year ended 31st March 2004.

2. Prior Period Items: In the Restated Summary Statements, Prior Period Items are excluded from the year in which they are accounted and are recognised in the respective years to which they relate.

3. Taxation: Charge of tax has been recomputed to give effect to the restatements as mentioned in paragraph (1) and (2) above.

B. Regrouping

Figures in the Restated Summary Statements have been appropriately regrouped to confirm with the reclassifications made in the subsequent years.

C. Non-adjustments

1. Prior Period Taxation: As per the annual financial accounts of the Company, there is a prior period taxation during the year ended 31st March 2005 – charge of Rs. 0.11 million (pertaining to financial year ended 31st March 2002) and during the year ended 31st March 2004 – credit of Rs. 0.02 million (pertaining to financial year ended 31st March 2001). For the financial year ended 31st March 2002 and 31st March 2001, as the Company had not commenced commercial operations in respect of operating Multiplex Entertainment Complexes, no Profit and Loss Account was prepared. Instead, the Company had prepared a Statement of Pre-operative Expenditure Pending Allocation. Hence the amount of prior period taxation charged/credited to the Profit and Loss Account in the subsequent periods but relating of these two financial years are not adjusted in the Restated Summary Statements.

Annexure 6: Statement of Significant Accounting Policies

a) Basis of Accounting:
The financial statements are prepared under the historical cost convention and are in accordance with applicable mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956.

b) Revenue Recognition:
Income from Box Office is recognised as and when the movie is exhibited. Signing fee, included in Income from Food & Beverages is recognised on commencement of commercial operations of the relevant Multiplex. Income is net of refunds and complimentary. Conducting fees are in respect of charges received from parties to conduct business from the Company's Multiplexes.

c) Fixed Assets:
Fixed assets are carried at cost of acquisition or cost of construction, as reduced by accumulated depreciation, except land, which is carried at cost. Project pre-operative expenses and expenditure incurred during construction period of Multiplexes are capitalized to various eligible assets in respective Multiplexes. Such expenses in respect of the Multiplexes under construction are carried forward for being capitalized at the time of completion.

Pre-operative and Project expenditure incurred upto the date of commencement of commercial operations of the first Multiplex is apportioned over the various Multiplexes under effective implementation, on the basis of actual / estimated cost of respective Multiplexes.

d) Depreciation:
Depreciation is provided on straight-line basis, on additional work in the properties not owned by the Company @ 4.17% (over the period of useful life on the basis of agreements) and on other fixed assets, excluding land, at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Individual items of Fixed Assets added during the year costing upto Rs 5,000 each are fully depreciated in the first year.

e) Inventories :
Inventories are valued at lower of cost and net realizable value. Cost is determined using FIFO method.

f) Taxes on Income :
Income tax expense comprises of current tax and deferred tax charge. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods.

g) Retirement Benefits:
Contributions to Provident Fund are charged to the Profit and Loss Account. Provision for leave encashment and gratuity is made as per actuarial valuations.

h) Borrowing Cost:
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 necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

i) Investments:
Long term investments are carried at cost. Current Investments are carried at lower of cost and fair value. Income from investments is accounted for on accrual basis.

j) Miscellaneous Expenditure:

a) Preliminary expenses are being amortized over a period of five years.

b) Deferred Revenue Expenditure is amortized as under:

- Prepayment premium of Rs. 7 million paid in the year 2002-2003 in respect of a term loan which is being amortized equally over a period of five years.
- Expenditure of Rs. 3.02 million incurred in the year 2002-2003, on repairing, widening etc. of a road not belonging to the Company to facilitate the parking and movement of vehicles, which has been amortized equally over a period of three years.

Accounting Standard (AS-26) – Intangible Assets has become applicable to the Company w.e.f. 1.4.2004. Deferred Revenue Expenses are 'Intangible Items' and not 'Intangible Assets' within the meaning of Accounting Standard (AS-26) – Intangible Assets. However, as per clarification issued by the Institute of Chartered Accountants of India, the treatment of the Deferred Revenue Expenditure is continued as per the accounting policy of the Company in this regard existing prior to 1.4.2004.

INOX LEISURE LIMITED

ANNEXURE 7: STATEMENT OF SIGNIFICANT NOTES TO RESTATED SUMMARY STATEMENTS

1. In respect of Entertainment Tax liability of the Company and its treatment in these accounts: -

   a. The Exemption from payment of Entertainment tax in respect of Multiplexes of the company, which are eligible for such exemption, is subject to fulfillment of the terms & condition of the respective Government policies issued in this regard.

   b. The Entertainment Tax exemption in respect of some of the Multiplexes of the Company is subject to final Orders, which are yet to be received from the respective statutory authorities. On the basis of provisional orders or other documents confirming the entitlement, the Company has not charged to Profit and Loss Account an aggregate amount of Rs. 143.93 million being Entertainment Tax in respect of such Multiplexes as under:
   For the period ended 30.9.2005 : Rs. 45.02 million
   For the year ended 31.3.2005 : Rs. 55.21 million
   For the year ended 31.3.2004 : Rs. 32.28 million
   For the year ended 31.3.2003 : Rs. 11.42 million

2. The Company is operating a Multiplex at Goa based on a letter of intent, subject to finalization of the terms and conditions in respect thereof. A part of the revenues and expenses of this Multiplex are subject to finalization of such terms and conditions.

3. The major components of the deferred tax assets and liabilities are as under:

Particulars	As on 30.9.2005 (Rs. in million)
Deferred Tax Liabilities	
Deferred Revenue expenditure	0.75
Depreciation (Net)	79.05
Total Liabilities	**79.80**
Deferred Tax Assets	
Retirement Benefits	10.20
Expenditure allowable on payment basis	14.13
Total Assets	**24.33**
Net Deferred Tax Liability	**77.37**

4. The Company is operating at Elgin Road, Kolkata and at Bangalore under Conducting Agreements which are for a period of 24 years.

5. Expenses on account of Power & Fuel, Water Charges, Advertisement & Sales Promotion, Housekeeping Expenses and Security Expenses charged to the Profit & Loss Account are net of recoveries.

6. Deed of Apartment in respect of building at Nariman Point (Cost Rs. 468.10 million) is yet to be executed.

7. The Company's significant leasing arrangements are in respect of :-

   a. Operating leases for premises (offices and residential accommodations) - Generally, these lease arrangements are non-cancelable, range between 11 months to 33 months and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals of are included in 'Property Rent and Conducting Fees' in the Profit and Loss Account.

b. Operating lease for Salt Lake, Kolkata premises – The lease is for a period of 24 years. The minimum lock in period is three years and the agreement provides for 10% escalation in lease rentals after every three years. The lease rentals of are included in 'Property Rent and Conducting Fees' in the Profit and Loss Account. The total of future minimum lease payments under this lease arrangement are as under:

Particulars	*As on 30.9.2005 (Rs. in million)*
Not later than one year	6.71
Later than one year and not later than five years	37.39
Later than five years	177.58
Total	**221.68**

8. Contingent Liabilities as at 30.9.2005:

   a. Claims against the company not acknowledged as debt – Rs. 15.34 million
   b. Bank Guarantees furnished by the Company for performance on Contractual obligations Rs. 12.15 million
   c. Municipal Tax demand – Rs. 52.51 million

9. The Company is primarily engaged in the business of operating Multiplexes and hence in relation to the operations of the Company, there is a single reportable business segment. All the Multiplexes of the Company are located in India and hence the Company is operating in a single geographical segment.

10. The Company has recognised, a provision towards estimated liability in respect of municipal taxes payable as under,

During the year ended 31.3.2005	**During the period ended 30.9.2005**	**Total provision as on 30.9.2005**
Rs. 2.0 million	Rs. 2.2 million	Rs. 4.2 million

INOX LEISURE LIMITED

Annexure 8 : Details of rates of dividend paid by the Company

Rs. in million

	As at September 30, 2005	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**	**As at March 31, 2001**
Class of Shares						
Equity shares Face Value (Rs)	10	10	10	10	10	10
Final dividend	Nil	Nil	Nil	Nil	Nil	Nil

Notes: No dividend has been declared till date by the company.

INOX LEISURE LIMITED

Annexure 9: Accounting Ratios (on restated profits)

	As at September 30, 2005	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**
Basic Earnings per share (Rs)	2.16	1.61	0.78	0.01
Diluted Earnings per share (Rs)	2.16	1.61	0.78	0.01
Return on Net worth %	14.92%	13.04%	7.30%	0.12%
Net Asset Value per share (Rs)	14.50	12.31	10.65	9.81
Weighted average number of equity shares used for:				
Basic Earnings per share	45,000,000	45,000,000	45,000,000	34,229,589
Diluted Earnings per share	45,000,000	45,000,000	45,000,000	34,229,589
Total No.of equity shares outstanding at the end of the year/period	45,000,000	45,000,000	45,000,000	45,000,000

Notes to Accounting Ratios
1. The ratios have been computed as under:

Basic earnings per share (Rs)	Net profit after tax, as restated, attributable to equity shareholders Weighted average number of equity shares outstanding during the year/ period.
Diluted earnings per share (Rs)	Net profit after tax, as restated, attributable to equity shareholders Weighted average number of dilutive equity shares outstanding during the year/ period.
Return on net worth (%)	Net profit after tax, as restated Net worth, as restated, excluding share application money, at the end of the year/ period.
Net asset value per share (Rs)	Net worth, as restated, excluding share application money, at the end of the year/ period. Number of equity shares outstanding at the end of the year/ period.

2. Net profit, as restated as appearing in the Summary Statement of Profits and Losses, as restated, has been considered for the purpose of computing the above ratios.
3. As the Company had not commenced commercial operation up to 31st March 2002, no profit & loss account was prepared for the year ended 31st March 2001 and 31st March 2002.
4. The EPS return on Net Worth figures in respect of the six month period ended 30th September, 2005 are not annualized.

INOX LEISURE LIMITED

Annexure 10 - Capitalisation Statement as at 30th September,2005

(Rs. in million)

	Pre issue	Post issue
Borrowings:		
Short term debts	Nil	
Long term debts		
- Inter-corporate Deposit from Holding Company (Gujarat Fluorochemicals Limited)	551.46	
- Term Loans from Banks	484.55	
	1,036.01	
Total debts	**1,036.01**	
Shareholder's funds		
Equity share capital	450.00	
Reserves and surplus	205.02	
	655.02	
Less: Miscellaneous Expenditure	2.71	
Total shareholders' funds	**652.31**	
Long term debt / equity ratio	1.59	

Notes:
1. The post-issue computation will be made after finalisation of the terms of the issue.
2. Inter-corporate Deposit from the Holding Company, which is also the Promoter of the Company is not payable within one year and hence is considered as a Long Term Debt
3. Shareholders' Funds excludes share application money

INOX LEISURE LIMITED

Annexure 11: Details of other income, as restated

Rs. in million

	For half Year ended September 30, 2005	For FY ended March 31, 2005	For FY ended March 31, 2004	For FY ended March 31, 2003
Other income as restated	5.55	11.56	10.52	3.01
Net profit/(loss) before tax,as restated	46.45	130.27	57.14	1.91
Percentage	3.79%	8.87%	18.41%	157.59%

	For Half Year ended September 30, 2005	For FY ended March 31, 2005	For FY ended March 31, 2004	For FY ended March 31, 2003	Nature	Related/ Not Related to Business Activity
Sources of other income						
Interest income on						
-Bank deposits	0.10	0.19	0.87	1.54	Recurring	Not Related
-On Long Term Investment	0.23	0.44	0.35	-	Recurring	Not Related
-Other Interest	0.04	0.08	0.08	0.08	Recurring	Not Related
Income from Film Production Financing	3.68	6.31	-	-	Non-Recurring	Related
Net gain on sale of current investments (non-trade)	0.10	0.39	2.55	1.09	Non-Recurring	Not Related
Income from Currency Swap	-	-	5.60	-	Non-Recurring	Not Related
Other Income						
a) Relating to Operations	0.67	0.31	0.46	0.22	Recurring	Related
b) Others	0.73	3.84	0.61	0.08	Non-Recurring	Related
Total	**5.55**	**11.56**	**10.52**	**3.01**		

Notes:

(1) The classification of income as recurring/non recurring and related/not related to business activity is based on the current operation and business activity of the Company as determined by the management.

(2) The above amount are as per the Summary Statements of Profits and Losses of the Company, as restated.

(3) As the Company had not commenced commercial operation up to 31st March 2002, no profit & loss account was prepared for the year ended 31st March 2001 and 31st March 2002.

INOX LEISURE LIMITED

Annexure 12: Details of unsecured loans

Rs. in million

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Short Term Loan from Bank	-	-	-	100.00	-	-
Inter-corporate Deposit from Holding Company	551.46	401.46	339.73	-	-	-

Notes:
1. Interest on short term loan from bank was payable @ 8.45%. This loan was guaranted by the Holding Company, which is also the Promoter of the Company

2. Interest on Inter-corporate Deposit from Holding Company which is also the Promoter of the Company was payable in the range of 7%, 6.50%-7% and 7% for the year/period ended 31.3.2004, 31.3.2005 and 30.9.2005. This inter - corporate deposit is a related party transaction.

INOX LEISURE LIMITED

Annexure 13: Details of Sundry Debtors, as restated

Rs. in million

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
a) Debts outstanding for a period exceeding six months						
- Unsecured, considered good	4.42	0.90	0.77	1.00	-	-
b) Other debts						
- Unsecured, considered good	25.91	17.47	6.12	2.67	-	-
Total	**30.33**	**18.37**	**6.89**	**3.67**	**-**	**-**

Notes :

1. The above amounts are as per Statement of Assets and Liabilities, of the Company, as restated.

INOX LEISURE LIMITED

Annexure 14: Details of Secured loans

Rs. in million

	As at September 30, 2005	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**	**As at March 31, 2001**
Term Loans from Banks	484.55	566.16	505.65	358.75	195.54	-

Notes:
1. Term loans from banks are secured by mortgage of immovable properties and hypothecation of movable properties and receivables.

2. As of 31st March 2004, 2003, 2002 term loans were further secured by lien on fixed deposits with banks of Rs.14.13 million, 18.15 million and 10.00 million respectively.

3. As of 31st March 2002, term loan were also guaranteed by the Holding Company, which is also the Promoter of the Company to the extent of 97.50 million.

4. Interest on Term Loans from Banks was payable @ 13.50% for the year ended 31.3.2002 and in the range of 8.50%-9.75% for the year/period ended 31.3.2003, 31.3.2004, 31.3.2005 and 30.9.2005.

INOX LEISURE LIMITED

Annexure 15: Details of Investments

Rs. in million

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
National Savings Certificates	5.00	5.00	5.00	-	-	-
Units in mutual funds	62.00	-	-	*	9.67	-
Less: Provision for diminution in value of Investments	-	-	-	-	0.02	-
	62.00	-	-	-	9.65	-
Total Investment	**67.00**	**5.00**	**5.00**	**-**	**9.65**	**-**

* Rs.2,099 as on 31.03.2003

Notes:
1. National Savings Certificates are held in the name of a director.

2. As at 30th September, 2005, National Savings Certificates of Rs. 1.80 million are pledged with Government Authority.

INOX LEISURE LIMITED

Annexure 16: Details of Loans and advances, as restated

Rs. in million

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
A. Unsecured, considered good						
Advances recoverable in cash or in kind or for value to be received	71.12	59.77	12.48	15.37	45.31	43.79
Deposits	42.97	41.32	32.29	27.97	14.35	6.33
Entertainment Tax Refund Receivable	75.47	54.29	11.30	-	-	-
Film Production Advance	75.00	70.00	39.50	-	-	-
Current investment - Inter-corporate and other loans		-	-	-	-	62.50
Advance towards Distribution Right	23.84					
Advance Income Tax paid (net of provisions)	-	5.26	5.68	5.58	-	0.06
Total	**288.40**	**230.64**	**101.25**	**48.92**	**59.66**	**112.68**

Note:

1. The above amounts are as per Summary Statement of Assets and Liabilities of the Company, as restated.

INOX LEISURE LIMITED

Annexure 17 : Tax Shelter Statement

(Rs. in million)

		Half year ended September 30, 2005	FY ended March 31, 2005	FY ended March 31, 2004	FY ended March 31, 2003
Profit before tax, as restated	a	146.45	130.27	57.14	1.91
Income tax rate applicable	b	33.66%	36.59%	35.87%	36.75%
Notional tax at above rate (a x b)	c	49.30	47.67	20.50	0.70
Adjustments:					
Benefit u/s 80IB		(4.72)	-	-	-
Expenses Disallowed etc.		1.04	4.66	4.79	5.34
Total	d	(3.68)	4.66	4.79	5.34
Temporary Differences					
Difference between tax depreciation and book depreciation		(43.50)	(88.16)	(65.20)	(52.75)
Unabsorbed depreciation effect		-	(52.24)	(0.09)	52.15
Expenses allowable on payment basis		2.64	2.00	0.11	-
Provision for retirement benefits		-	1.55	0.85	0.97
Deferred Revenue Expenses		0.70	2.40	2.41	(7.61)
Total	e	(40.16)	(134.45)	(61.92)	(7.24)
Net adjustments (d + e)	f	(43.84)	(129.79)	(57.13)	(1.90)
Tax adjustment thereon (f x b)	g	(14.76)	(47.49)	(20.50)	(0.70)
Total taxation charge (c + g)	h	34.54	0.18	-	-
Incremental tax due to MAT		-	10.48	4.44	0.20
Deferred tax charge		13.24	47.27	17.77	1.23
Total taxation		47.78	57.93	22.21	1.43
Total taxation as per books of accounts as restated		47.78	57.93	22.21	1.43

Notes:
1. The above amounts are as per Summary Statement of Profit and Loss of the Company, as restated.

2. As the Company had not commenced commercial operation up to 31st March 2002, no profit & loss account was prepared for the year ended 31st March 2001 and 31st March 2002.

INOX LEISURE LIMITED

Annexure 18: Details of Contingent Liabilities

Rs. in million

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Claims against Company	15.34	15.34	14.25	-	-	-
Bank Guarantee for performance on contractual obligations	12.15	10.71	-	-	-	-
Advertisement Tax Demand	-	0.40	0.47	-	-	-
Muncipal Tax Demand	52.51	33.14	0.95	-	-	-
Total Contingent Liabilities	**80.00**	**59.59**	**15.67**	**-**	**-**	**-**

INOX LEISURE LIMITED

Annexure 19: Details of Related Party Transaction

Rs. in million

	For Half Year ended September 30, 2005	For FY ended March 31, 2005	For FY ended March 31, 2004	For FY ended March 31, 2003	For FY ended March 31, 2002	For FY ended March 31, 2001
Interest Paid	15.32	23.60	5.11	0.03	-	-
Inter Corporate Deposit:						
Amount received	150.00	151.70	347.90	14.40	-	-
Amount repaid	-	89.97	8.17	14.40	-	-
Balance payable	551.46	401.46	339.73	-	-	-
Share Application Money:						
Amount received	-	-	10.00	134.20	131.01	251.00
Shares allotted	-	-	-	108.00	92.01	172.49
Amount refunded	-	-	-	-	65.01	52.50
Amount outstanding	36.20	36.20	36.20	26.20	-	26.01

Notes: All the above transactions are with Gujarat Fluorochemicals Limited, the Holding Company which is also the Promoter of the Company

CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

There has been no change in the accounting policies in the last three years.

SELECTED FINANCIAL DATA (AS PER SUMMARY FINANCIAL STATEMENTS (RESTATED), UNDER INDIAN GAAP

Summary statement of Assets and Liabilities, as restated

(Rs in million)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004
Fixed assets			
Gross block	1,667.23	1,524.67	832.29
Less: Accumulated depreciation	93.52	69.92	35.55
Net block	1,573.71	1,454.75	796.74
Capital Work in Progress, Capital Advances & Pre-Operative Expenditure pending allocation	8.45	48.42	496.69
Total	**1,582.16**	**1,503.17**	**1,293.43**
Investments	67.00	5.00	5.00
Current assets, loans and advances			
Interest Accrued	1.16	0.86	0.49
Inventories	4.24	3.45	1.45
Sundry Debtors	30.33	18.37	6.89
Cash and Bank balances	12.73	15.70	30.41
Loans and Advances	288.40	230.64	101.25
Total	**336.86**	**269.02**	**140.49**
Liabilities and Provisions			
Secured Loans	484.55	566.16	505.65
Unsecured Loans	551.46	401.46	339.73
Deferred Tax Liability	79.52	66.27	19.00
Current Liabilities	168.41	147.63	57.49
Provisions	13.57	5.38	1.82
Total	**1,297.51**	**1,186.90**	**923.69**
Net worth	**688.51**	**590.29**	**515.23**
Represented by:			
Equity share capital	450.00	450.00	450.00
Share application money	36.20	36.20	36.20
Reserves and surplus:			
Profit and loss account	205.02	107.70	35.46
	691.22	593.90	521.66
Less: Miscellaneous Expenditure	2.71	3.61	6.43
Net worth	**688.51**	**590.29**	**515.23**

Summary statement of Profits and Losses, as restated

(Rs. in million)

	For half year ended September 30, 2005	For FY ended March 31, 2005	For FY ended March 31, 2004
Income			
Sales & Services	502.53	614.82	299.75
Other Income	5.55	11.56	10.52
Refund of Entertainment Tax	-	11.30	-
Total Income	**508.08**	**637.68**	**310.27**
Expenditure			
Entertainment Tax	15.82	20.57	11.44
Film Distributors Share	113.22	130.40	58.77
Cost of Food and Beverages	27.69	34.74	17.62
Operating and Administrative Expenses	143.47	222.73	113.56
Interest & Financial Charges	37.93	53.66	41.21
Depreciation	23.63	34.62	21.50
Total Expenditure	**361.76**	**496.72**	**264.10**
Net Profit before tax	**146.32**	**140.96**	**46.17**
Current Tax	34.50	11.50	3.60
Deferred Tax	13.24	47.27	17.77
Frienge Benefit Tax	1.35	-	-
Prior Period Taxation	-	0.11	(0.02)
Net Profit	**97.23**	**82.08**	**24.82**
Adjustments - Increase/(decrease) in profits (Refer Annexure 4)			
Sales & Services			(0.08)
Refund of Entertainment Tax		(11.30)	11.30
Distributors Share	0.13	0.25	(0.25)
Operating and other Expenses		0.16	0.20
Depreciation		0.20	(0.20)
Total Impact of adjustment	0.13	(10.69)	10.97
Tax Adjustments	(0.04)	0.85	(0.84)
Net Profit, as restated	**97.32**	**72.24**	**34.95**
Profit and loss account, beginning of the year/period	107.70	35.46	0.51
Balance carried forward, as restated	205.02	107.70	35.46
Summary of restated figures			
Net Profit before tax	146.45	130.27	57.14
Current tax & Deferred tax	47.78	57.92	22.21
Fringe Benefit tax & Prior period taxation	1.35	0.11	(0.02)
Profit after tax	97.32	72.24	34.95

Statement of Cash Flows, as restated

	For half year ended September 30, 2005	For FY ended March 31, 2005	For FY ended March 31, 2004
A. Cash flow from operating activities:			
Net Profit before tax	146.45	130.28	57.14
Adjustments for:			
Depreciation	23.63	34.42	21.70
Loss on assets sold	0.11	0.58	0.01
Amortization of Preliminary & Deferred Revenue Expenses	0.90	2.81	2.81
Dividend and Interest income	(4.12)	(4.90)	(9.37)
Interest expenditure	24.59	53.29	41.15
Operating profit before working capital changes	191.56	216.48	113.44
Adjustments for:			
(Increase)/decrease in Sundry Debtors	(8.27)	(5.17)	(3.23)
(Increase)/decrease in Loans and Advances	(53.11)	(99.32)	(12.73)
(Increase)/decrease in Inventories	(0.79)	(2.00)	(0.32)
(Increase/decrease in Current Liabilities & provisions	28.98	93.69	(8.23)
Cash generated from operations	158.37	203.68	88.93
Direct taxes paid	(35.54)	(10.33)	(4.52)
Net cash from operating activities (A)	122.83	193.35	84.41
B. Cash flow from investing activities:			
Purchase of fixed assets (including changes in capital advances, Capital WIP and Pre-operative expenditure pending allocation)	(102.76)	(244.77)	(465.06)
Sale of fixed assets	0.03	0.04	-
Investment purchased	(110.00)	(169.02)	(690.79)
Sale of investments	48.10	169.41	688.35
Advance for Film Production	(5.00)	(30.50)	(39.50)
Interest Received	0.03	0.26	0.91
Net cash used in investing activities (B)	(169.60)	(274.58)	(506.09)
C. Cash flow from financial activities:			
Share application money received	-	-	10.00
Proceeds from Inter-corporate Deposits (net)	150.00	61.73	239.73
Proceeds from Term Loans (net)	(81.62)	60.51	146.89
Interest paid	(24.59)	(53.29)	(41.14)
Inflow/(Outflow) on currency swap	-	(2.43)	5.60
Net cash from/used in financing activities (C)	43.79	66.52	361.08
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(2.98)**	**(14.71)**	**(60.60)**
Cash and Bank balances at the beginning of the year	15.70	30.41	91.01
Cash and Bank Balances at the end of the year	**12.72**	**15.70**	**30.41**

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS (AS PER INDIAN GAAP)

You should read the following discussion and analysis of our financial condition and results of operations together with our audited financial statements for the period ended March 31, 2001, 2002, 2002, 2003, 2004, 2005 and the six months ended September 30, 2005 under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear in the section titled "Financial Statement"s beginning on page 145 of this Draft Red Herring Prospectus These financial statements are prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and restated as described in the Auditor's Report of Patankar and Associates dated October 28, 2005 appearing in the section titled "Financial Statements" beginning on page 145 of this Draft Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from our audited unconsolidated financial statements under Indian GAAP, as restated.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. In this section references to Inox or the Company are to Inox Leisure Limited on an unconsolidated basis.

OVERVIEW

We are a primarily film exhibition company incorporated to carry out the business of setting up, operating and managing a chain of multiplexes which offers a world class viewing experience to the consumer.

We were incorporated on November 9, 1999 and became a subsidiary of Gujarat Fluorochemicals Limited (GFL) on March 31, 2000 to carry out the business of setting up, operating and managing a national chain of world class multiplexes under the brand name 'INOX'.

Our exhibition business was spearheaded by Mr. Pavan Jain, Mr. Vivek Jain and Mr. Deepak Asher. The key persons heading our operations today are Mr. Manoj Bhatia and Mr. Alok Tandon.

We opened our first multiplex, the Pune Multiplex in May 10, 2002 and in a short span of three years have achieved a pan India presence across 7 cities with 8 Operational Units having 32 screens and 9,290 seats today. These are a mix of owned and leased models as per table below.

Operating Units	Model
Pune Multiplex	Owned
Vadodara Multiplex	Owned
Elgin Road Kolkata, Multiplex	Leased
Salt Lake Kolkata, Multiplex	Leased
Goa Multiplex	Leased
Mumbai Multiplex	Owned
Bangalore Multiplex	Leased
Jaipur Multiplex	Owned

For further details on the above please refer section titled "Our Business": beginning on page 85 of this Draft Red Herring Prospectus.

Our revenues are largely dependent on the number of patrons that visit our multiplexes, our occupancy rate, our average ticket price, and our food and beverages revenue per patron. The following tables set forth certain key financial, operating and statistical information for our business:

As on	October 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
No. of screens	32	25	12	8
No of seats	9290	7,400	3,649	2,634
No of Operational units	8	6	3	2

Our Key growth indicators are depicted below:

	Six months ended September 30, 2005	FY 2005	FY 2004	FY 2003
No of Patrons	3,125,801	3,888,547	2,144,651	1,114,501
Average Ticket Price (ATP)	119	113	98	100
Spend Per Head (SPH) (includes Ticket, F & B & Parking)	149	141	126	132
F & B Per Head	28	27	25	29

We have seen a robust growth year on year as can be seen above. Our operating income is dependent on the number of patrons and the spends per head – both of which are showing high growth trends. This clearly indicates that INOX as a brand has emerged over the last few years and its popularity is increasing leading to an increase in number of patrons as well as spends per head of the patrons over time.

Our rapid expansion has helped us achieve a total income which has grown from Rs. 163 million in FY 2003 to Rs 310 million in FY 2004 to Rs. 638 Million in FY 2005. For the six months period ended September 30, 2005 our total income was Rs. 508 Million.

Our net profit for the same period has grown from a small beginning of Rs. 0.51 million in FY 2003 to Rs. 34.95 million in FY 2004 to Rs. 72.24 Million in FY 2005. For the six months period ended September 30, 2005 our total income was Rs. 97.32 Million.

We have a laid a lot of emphasis on a technology and systems. We have a strong MIS system, on the backbone of a technically sturdy software system, which provide us with regularly updated performance reports on all our Operating Units. This assists us in our day to day operations. We use software for the following:

- Ticket sales;
- Concessions;
- Telesales/home delivery;
- Reports;
- Analyses;
- Accounts.

We have also pioneered various IT initiatives to ensure greater transparency and smoother control over operations.

We have installed specialized management exhibition software called Showbizz Multiplex at all our Operating Units. We were the first client for this software product and have contributed in designing and developing of this product. This software is evolving to be an industry standard and is being implemented at other multiplexes across India.

We have invested in IT Infrastructure to connect all our Units with Corporate Office. This has been key in streamlining our operations across our Operating Units in 7 cities. This has also benefited us in effective decision making, standardization of operating processes and better controls of various units.

Our business has a very high cash collection component, necessitating robust internal control systems. Our Company has internal control procedures encompassing various operational areas including box office, concessions, parking, marketing and business and conducting revenue in addition to other areas like cash and bank transactions, purchases, outsourced services and payroll processing. All transactions at our Multiplexes are vouched by an in-house team of floor and night auditors on a daily basis. Thereafter, they are scrutinized by our internal auditors, namely Sharp & Tannan Associates on a monthly basis and their report is directly forwarded to the Audit Committee and the senior corporate management team.

Our mission is to create India's largest network of world class multiplex cinema theatres across all the leading towns and cities of India and be a leader in the Indian film exhibition industry, in terms of physical parameters like number of screens operational and quality of viewing experience, as well as financial parameters like revenues and profitability.

Common features to all our Operating Units are 3-5 screens, state of the art facilities in terms of modern projection and acoustic systems, internationally designed interiors, high levels of hygiene, food court with a good mix of food and beverage, selection of Hindi, English and regional movies, computerized ticketing, emphasis on high service standards and friendly customer support including home delivery of tickets.

Several factors have affected our results of operations, financial condition and cash flow significantly over the past five years. These factors include:

- Retail Boom: In the last 5-7 years we have witnessed a significant growth in organized retail in India. Favorable demographics, rising consumer incomes, real estate developments especially with emergence of new shopping malls, availability of better sourcing options both from within India and overseas, and changing lifestyles that bring the Indian consumer closer to the consumers in more developed markets are driving the growth of organized retailing.
- Growing corporatization in film industry: Corporatization of film production entities is resulting in more timely and better quality film productions.
- New films are being released across a larger number of theaters with a larger number of prints in order to maximize theatrical revenues in the shortest time period.
- Entertainment tax incentives for developing and operating multiplexes are being offered by certain States. This has encouraged the growth of multiplexes and also encouraged single screen theaters to convert into multiplexes.
- Growth in multiplexing: Most real estate developers recognise that Multiplexes are "anchor tenants" in their mall development and hence are willing to offer Multiplexes space in their developments at attractive terms.

These factors and a number of future developments may affect our results of operations, financial condition and cash flow in future periods. We believe that the following future developments may affect our future results of operations, financial condition and cash flow:

- Multiplexes are fast emerging as the one of the key anchor tenants for most organized retail outlets in India;
- Improving regulatory environment and rationalization of entertainment tax policies;
- Multiplexes a highly fragmented industry with scattered ownership leading to opportunities for consolidation into a nationwide film exhibition chain of Multiplexes;
- Easier access to capital due to corporatization of the industry;
- Additional capital expenditures and related financings, if any, including for capacity expansion;
- New strategic partnerships or mergers/acquisitions.

For further information on these and other factors/developments which have or may affect us financially, please refer to the other parts of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, as well as the section titled "Risk Factors" beginning on page 10 and the section titled "Our Business" beginning on page 85 of this Draft Red Herring Prospectus.

FACTORS AFFECTING OUR FINANCIAL RESULTS

Our business is subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors" beginning on the page 10 of this Draft Red Herring Prospectus. Some of the important factors that have affected and we expect will continue to affect our results of operation, financial condition and cash flows are discussed below:

Income:
Our income is either, operating revenues or other income.

Operating revenues can largely be classified as:

a) Ticket Revenues- These revenues are generated from sales of ticket at theatre and are a factor of the number of patrons and the average ticket price. Ticket pricing is a factor of location, timing, seating arrangement, day of the week and movie popularity.

b) Food & Beverages Revenues- These revenues are generated from sale of food and beverages at our food counters. This revenue stream is a relatively high margins business.

c) Advertising Revenue – These revenues are generated from on-screen advertising, posters inside the theater, promotional stalls, etc. We also have allowed various entities to use a part of our lobby space at times to give the patrons a 'movie plus' experience.

d) Management Fees- This revenue is earned by management of cinema projects or operating other running cinemas. We are yet to develop this as a regular source of income.

e) Parking Charges- In case of our owned Operating Units at Pune and Vadodara we have developed a separate parking facility where we charge patrons of the mall/multiplex a parking charge.

f) Conducting Fees - In case of our owned properties where the entire mall has been developed by us including the multiplex, we lease out the retail space to various popular retail players such as Mc Donald, Pantaloon etc on a business conducting agreement. We receive conducting fee from such retail partners as our income. This is currently applicable to the Pune Multiplex and Vadodra Multiplex.

Other income primarily relates to interest on Mutual Fund Investments, interest on National Saving Schemes, interest on fixed deposits, gain / loss from interest SWAP transaction in respect of loans taken and one time income from film production financing .

The following table sets forth the contribution of the different components of our revenue and of other income towards total income during each of financial years 2004, 2005 and the six months ended September 30, 2005 as per restated accounts:

(Rs. in million)

	Half year ended September 30, 2005	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**
Operating Revenue	**502.53**	**614.82**	**299.75**	**160.48**
Ticket Revenues	372.68	438.54	211.04	111.61
Food & Beverages Revenues	88.12	104.68	54.55	31.82
Advertising Income	18.32	25.16	8.80	5.63
Management Fees	0	12.25	0.60	0.00
Parking Charges	3.68	6.24	5.29	4.10
Conducting Fees	19.73	27.95	19.47	7.32
Other Income	**5.55**	**11.56**	**10.52**	**3.01**
Total Income	**508.08**	**626.08**	**310.27**	**163.49**

The contribution of our key revenue drivers to our Total Operating revenue is as under:

	Half year ended September 30, 2005	**FY ended March 31, 2005**	**FY ended March 31, 2004**
Ticket Revenues	74.15%	71.33%	70.40%
Food & beverage	17.54%	17.03%	18.20%
Advertising Income	3.65%	4.09%	2.94%
Management Fee	0.00%	1.99%	0.20%
Parking Charges	0.73%	1.01%	1.77%
Conducting Fee	3.93%	4.55%	6.49%
Total Operating revenue	**100.00%**	**100.00%**	**100.00%**

Expenditure
The following table sets out our key expenses as a percentage of our total income for the fiscal years ended March 31, 2003, 2004, 2005 and the six months ended September 30, 2005:

Particulars	Period ended September 30, 2005	Financial Year ended		
		2005	2004	2003
Expenditure				
Direct cost	30.85%	29.66%	28.31%	23.93%
Personnel cost	7.34%	8.85%	10.92%	12.53%
Operating cost	20.90%	26.73%	25.68%	33.57%
Depreciation	4.65%	5.53%	6.93%	8.21%
Interest	7.47%	8.57%	13.28%	20.34%
Total Expenditure	**71.21%**	**79.34%**	**85.12%**	**98.58%**

Direct cost: It includes Distributors' share, Food and beverages cost and Entertainment Tax. These can largely be classified below:

- Distributors share – This signifies the share of ticket sales of a film paid by the film exhibitor to the distributor for accessing such rights for that theatre. Distributor share as a percentage of ticket sales was 30.38% and 29.73% for six month ended September 30, 2005 and year ended March 31, 2005 respectively.

- Food and beverages cost – This is the cost we incur in sourcing various food and beverages from our vendors. This is usually a direct function of our F&B revenues. Food and beverage cost as a percentage of F&B revenues was 31.42% and 33.18% for six month ended September 30, 2005 and year ended March 31, 2005 respectively.

- Entertainment Tax – This cost represents the tax payable on the box office collections. This usually is a key component of our costs as historically they have been high and currently being rationalised by Government. However since most of our Operating Units enjoy an entertainment tax exemption, entertainment tax as a percentage of ticket sales was 4.24% and 4.69% for six month ended September 30, 2005 and year ended March 31, 2005 respectively.

  Most of our Operating Units currently enjoy an entertainment tax exemption over a limited period as given below. Such exemption, where available, directly adds to our profits.

Operating Unit	Start date of exemption	End date of exemption	Remarks if any
Pune Multiplex	June 2002	100% for first three years and 75% thereafter for two years.	
Vadodara Multiplex	October 2002	Upto recovery of Investments or 10 years whichever is earlier	
Elgin Road Kolkata, Multiplex	September 2003	Upto recovery of Investments or 4 years whichever is earlier	
Salt Lake Kolkata, Multiplex	June 2004	Upto recovery of Investments or 4 years whichever is earlier	Yet to be quantified, pending verification of investments
Goa Multiplex	November 2004	Five Years	Yet to be sanctioned
Mumbai	May 2005	100% for first three	

Multiplex		years and 75% thereafter for two years	
Bangalore Multiplex	Not available		
Jaipur Multiplex	October 2005	1) 100% in 1^{st} & 2^{nd} year 2) 90% in 3^{rd} year 3) 80% in 4^{th} year 4) 70% in 5^{th} year	Since this is an acquisition of an old Cinema, entertainment tax exemption of 4^{th} Year should be applicable. Clarity is still sought on the issue

Personnel cost: It includes salary, wages and bonus, contribution to welfare and provident fund, gratuity and staff welfare expenses. Being in the service industry, we substantially depend upon our employees to maintain our quality of services offered. Due to expansion and thus increase of revenue, the percentage of this cost to revenue has decreased.

Operating cost: Our operating cost consist primarily rent, professional charges and consultancy fees, advertisement and marketing, travelling and conveyance, communication expenses, utilities, administrative expenses, repairs and maintenance, property tax and other miscellaneous expenses. With expansion and distribution of the corporate overheads to more number of units, the percentage of these costs is also reduced substantially over a period of time.

The largest contributor to the Operating cost is the lease rent and Conducting Fee for our Operating Units and Corporate office which are as under:

Location	Monthly Rent (Rs in million)
Elgin Road, Kolkata Multiplex	1.21
Salt Lake, Kolkata Multiplex	1.06
Goa Multiplex	0.60
Bangalore Multiplex	1.60
Corporate Office	0.45

OUR SIGNIFICANT ACCOUNTING POLICIES

Preparation of financial statements in accordance with Indian generally accepted accounting principles, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. For further details on these judgments, assumptions and estimates as reflected in our accounting policies, please refer to the section titled "Financial Statements – Significant Accounting Policies" beginning from page 145 of this Draft Red Herring Prospectus.

Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following significant accounting policies warrant additional attention:

a) Basis of Accounting:
The financial statements are prepared under the historical cost convention and are in accordance with applicable mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and provisions of the Companies Act.

b) Revenue Recognition:
Income from Box Office is recognised as and when the movie is exhibited. Signing fee, included in Income from Food & Beverages is recognised on commencement of commercial operations of the relevant Multiplex. Income is net of refunds and complimentary. Conducting fees are in respect of charges received from parties to conduct business from the Company's Multiplexes.

c) Fixed Assets:
Fixed assets are carried at cost of acquisition or cost of construction, as reduced by accumulated depreciation, except land, which is carried at cost. Project pre-operative expenses and expenditure incurred during construction period of Multiplexes are capitalized to various eligible assets in respective Multiplexes. Such expenses in respect of the Multiplexes under construction are carried forward for being capitalised at the time of completion.

Pre-operative and Project expenditure incurred upto the date of commencement of commercial operations of the first Multiplex is apportioned over the various Multiplexes under effective implementation, on the basis of actual / estimated cost of respective Multiplexes.

d) Depreciation:
Depreciation is provided on straight-line basis, on additional work in the properties not owned by the Company @ 4.17% (over the period of useful life on the basis of agreements) and on other fixed assets, excluding land, at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Individual items of Fixed Assets added during the year costing upto Rs 5,000 each are fully depreciated in the first year.

e) Taxes on Income :
Income tax expense comprises of current tax and deferred tax charge. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods.

f) Borrowing Cost:
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 necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

g) Miscellaneous Expenditure:

a) Preliminary expenses are being amortised over a period of five years.

b) Deferred Revenue Expenditure is amortized as under:

- Prepayment premium of Rs. 7 million paid in the year 2002-2003 in respect of a term loan which is being amortized equally over a period of five years.
- Expenditure of Rs. 3.02million incurred in the year 2002-2003, on repairing, widening etc. of a road not belonging to the Company to facilitate the parking and movement of vehicles, which has been amortized equally over a period of three years.
  Accounting Standard (AS-26) – Intangible Assets has become applicable to the Company w.e.f. 1.4.2004. Deferred Revenue Expenses are 'Intangible Items' and not 'Intangible Assets' within the meaning of Accounting Standard (AS-26) – Intangible Assets. However, as per clarification issued by the Institute of Chartered Accountants of India, the treatment of the Deferred Revenue Expenditure is continued as per the accounting policy of the Company in this regard existing prior to 1.4.2004.

OUR RESULTS OF OPERATIONS

The six months ended September 30, 2005

The key developments that occurred during Six month ended September 2005 include launch of Multiplex at Bangalore with 5 Screens in August 2005

Revenue

Ticket Revenue

Ticket revenue in the six months ended September 30, 2005 was Rs.372.68 Million.

Food and Beverage Revenue

Food and beverage revenue in the six months ended September 30, 2005 was Rs.88.12 Million.

Advertisement Revenue

Advertisement revenue in the six months ended September 30, 2005 was Rs.18.32 Million.

Parking Charges Revenue

Parking Charges revenue in the six months ended September 30, 2005 was Rs.3.67 Million.

Conducting Fees Revenue

Conducting fees revenue in the six months ended September 30, 2005 was Rs.19.73 Million.

Other Income

Other Income in the six months ended September 30, 2005 was Rs.5.55 Million.

Total Revenue

Our total revenue in the six months ended September 30, 2005 was Rs.508.08 Million.

Direct Cost

Direct Cost in the six months ended September 30, 2005 was Rs. 156.72 Million

Personnel Cost

Personnel Cost in the six months ended September 30, 2005 was Rs.37.30 Million.

Operating Cost

Operating Cost in the six months ended September 30, 2005 was Rs.106.17 Million.

Financial Expenses

Financial Expenses in the six months ended September 30, 2005 was Rs.37.93 Million.

Depreciation
Depreciation in the six months ended September 30, 2005 was Rs.23.63 Million.

Profit Before Tax
Profit in the six months ended September 30, 2005 was Rs.146.32 Million

Deferred tax
There was a deferred tax charge of Rs.13.24 Million for the six month ended September 30, 2005

Profits) after tax
Profit in the six months ended September 30, 2005 was Rs.97.23 Million.

Comparison of FY 2005 with FY 2004

Some of the key developments that occurred during 2004 -05 include the following:

- Launch of Multiplex at Kolkata Salt Lake with 4 screens in June 2004
- Launch of Multiplex at Goa with 4 screens in November 2004
- Launch of Multiplex at Nariman Point with 5 Screens in November 2004

Revenue

Ticket Revenue
The Ticket revenue increased by 107.78% in FY 2005 to Rs. 438.50 Million as compared to Rs. 211.04 Million in FY 2004. This increase was on account of launch of three new multiplexes.

Food and Beverage Revenue
The Food and Beverage revenue increased by 91.90% in FY 2005 to Rs. 104.68 Million as compared to Rs. 54.55 Million in FY 2004. This increase was on account of launch of three new multiplexes.

Advertising Revenue
The Advertising revenue increased by 185.90% in FY 2005 to Rs. 25.16 Million as compared to Rs. 8.80 Million in FY 2004. This increase was on account of launch of three new multiplexes.

Management Fees Revenue
The Management fees revenue of Rs. 12.26 Million was earned for the Goa Project Implementation.

Parking Charges Revenue
The Parking Charges revenue increased by 17.73% in FY 2005 to Rs. 6.24 Million as compared to Rs. 5.30 Million in FY 2004 with the increase in the Patrons at Pune and Vadodra.

Conducting Fees Revenue
The Conducting fees revenue increased by 43.55% in FY 2005 to Rs. 27.95 Million as compared to Rs. 19.47 Million in FY 2004. This was due to a full year conducting fee paid by associates as against a shorter period last year.

Other Income
Other income increased by 9.88% from Rs. 11.56 Million in FY 2005 to Rs.10.52 Million in FY 2004. The increase was primarily due to increase in mutual fund investment income from interim placement of available funds.

Expenditure

Direct Cost
Direct Cost increased by 111.42% to Rs.185.71 Million in FY 2005 from Rs.87.84 Million in FY 2004. This was mainly on account of increase in number of locations. As a percentage of revenue, there was a marginal increase of direct cost due to increase in distribution share.

Personnel Cost
Personnel Cost increased by 63.46 % to Rs.55.38 Million in FY 2005 from Rs.33.88 Million in FY 2004. This was primarily due to increase in number of locations. Personnel Cost as a percentage of revenue decreased from 10.92% to 8.68% due to expansion and spread of corporate expenses to more units.

Operating Cost
Operating Cost increased by 110.03% to Rs.167.35 Million in FY 2005 from Rs.79.68 Million in FY 2004 due to increase in locations. As a percentage of revenue there was a marginal increase from 25.68% to 26.24%.

Financial Expenses
Financial Expenses increased by 30.21% to Rs. 53.66 Million in FY 2005 from Rs. 41.21 Million for FY 2004 primarily on account of interest paid on new properties for the operating period.

Depreciation
Depreciation increased by 61.02% to Rs.34.62 Million in FY 2005 from Rs.21.50 Million in FY 2004 with new properties coming in.

Profit Before Tax
Profit before tax for FY 2005 was Rs.140.96 Million as against profit of Rs.46.17 Million for the FY 2004. This increase was due to increase in revenue.

Deferred tax
There was a deferred tax charge of Rs. 47.27 Million in FY 2005 as against the charge of Rs. 17.77 Million in FY 2004.

Profit after tax
Profit after tax for FY 2005 was Rs.82.08 Million as against Profit of Rs.24.82 Million for the FY 2004.

Comparison of FY 2004 with FY 2003

Some of the key developments that occurred during 2003-04 include the following:

- Launched Kolkata Elgin Road Multiplex in September 2003.

Revenue

Ticket Revenue

The Ticket revenue increased by 89.08% in FY 2004 to Rs. 211.04 Million as compared to Rs. 111.61 Million in FY 2003 This increase was on account of launch of one new multiplex and our Pune and Vadodara Multiplex operating for a full year as against a shorter for period as it was first year of operation for both these multiplexes.

Food and Beverage Revenue

The Food and Beverage revenue increased by 71.43% in FY 2004 to Rs. 54.55 Million as compared to Rs. 31.82 Million in FY 2003. This increase was on account of launch of one new multiplex and our Pune and Vadodara Multiplex operating for a full year as against a shorter for period as it was first year of operation for both these multiplexes.

Advertising Revenue

The Advertising revenue increased by 56.30% in FY 2004 to Rs. 8.80 Million as compared to Rs. 5.63 Million in FY 2003. This increase was on account of launch of one new multiplex and our Pune and Vadodara Multiplex operating for a full year as against a shorter for period as it was first year of operation for both these multiplexes.

Management Fees Revenue

The Management fees revenue was Rs. 0.60 Million in FY 2004 for a small project undertaken by the Company in implementing a cinema.

Parking Charges Revenue

The Parking Charges revenue increased by 29.27% in FY 2004 to Rs. 5.30 Million as compared to Rs. 4.10 Million in FY 2003. This increase was on account of launch of one new multiplex and our Pune and Vadodara Multiplex operating for a full year as against a shorter for period as it was first year of operation for both these Multiplexes.

Conducting Fees Revenue

The Conducting fees revenue increased by 165.98% in FY 2004 to Rs. 19.47 Million as compared to Rs. 7.32 Million in FY 2003. This change was due to taking up of additional retail space by tenants in Pune and Vadodra Multiplex.

Other Income

Other income increased by 249.50% to Rs. 10.52 Million in FY 2004 from Rs.3.01 Million in FY 2003. These were mainly on account of investments in Mutual funds.

Expenditure

Direct Cost

Direct Cost increased by 124.48% to Rs.87.84 Million in FY 2004 from Rs.39.13 Million in FY 2003 due to increase in Kolkata location and full year expense for Pune and Vadodra. As a percentage to revenue, it increased from 23.94% to 28.31% mainly due to addition of entertainment tax cost in Kolkata which was exempt for Pune and Vadodra.

Personnel Cost

Personnel Cost increased by 65.35% to Rs.33.88 Million in FY 2004 from Rs.20.49 Million in FY 2003. This was primarily due to expansion. As a percentage to total revenue, this cost decreased from 12.53% to 10.92%.

Operating Cost

Operating Cost increased by 45.19% to Rs.79.68 Million in FY 2004 from Rs.54.88 Million in FY 2003. This was primarily due to increase in Kolkata location and full year expense for Pune and Vadodra. As a percentage of total revenue it decreased from 33.57% to 25.68% mainly with increase in revenue due to higher utilization of capacities and due to decrease in cost as a result of learning curve with the properties settling down.

Financial Expenses
Financial Expenses increased by 23.94% to Rs. 41.21 Million for FY 2004 from Rs. 33.25 Million in FY 2003 primarily on account of interest paid for full year on Pune and Vadodra Property loans.

Depreciation
Depreciation increased by 60.21% to Rs.21.50 Lacs in FY 2004 from Rs.13.42 Million in FY 2003 due to full year operation of units added last year and property addition in the current year.

Profit Before Tax
Profit before tax for FY 2004 was Rs.46.17 Million as against Profit of Rs.2.32 Million for the FY 2003. This was mainly due to increase in revenue and decrease of proportionate costs.

Deferred tax
There was a deferred tax charge of Rs. 17.77 Million in FY 2004 as against the charge of Rs. 1.23 Million in FY 2003.

Profit after tax
Profit after tax for FY 2004 was Rs.24.82 Million as against Profit of Rs.0.89 Million for the FY 2003.

Cash Flows

Net Cash Flow from Operations signifies surpluses from our operations of business. In general our working capital is negative due to our sales being on cash basis and while we generally avail credit facilities of 30 -60 days from our vendors and various service providers.

Net Cash Flow from Investing depicts mainly monies invested into various properties

Net Cash Flow from Financing comprises of issue of shares, ICD taken, term loans taken or repaid and interest paid.

The table below summarizes our cash flows for six month ending September 30, 2005 and FY 2005, 2004 and 2003:

(Rs. Million)

Particulars	Period ended September 30, 2005	FY 2005	FY 2004	FY 2003
Net Cash Flow from Operations	122.83	193.35	84.41	77.56
Net Cash Flow from Investing	(169.60)*	(274.58)*	(506.09)*	(365.69)*
Net Cash Flow from Financing	43.79	66.52	361.08	364.35
Cash and Cash Equivalents at the end of the period	12.72	15.70	30.41	91.01

*Figures in brackets represent cash outflow

Indebtedness
Key terms of our outstanding indebtedness as on September 30, 2005 were as follows:

(Rs. In Million)

Unsecured loans

Source	Amount	Interest rate	Repayment terms
Inter-corporate deposit from:			
a) Gujarat Fluorochemicals Ltd, Holding Co	551.46	7%	Long term loan

	551.46		

Secured loans

	Source	Amount (Rs. In million)	Interest rate (%)	Repayment terms (for balance period)
1	Term loans from Banks	116.43	9.75%	11 quarterly installments of Rs. 10,500,000 commencing from the quarter ended 31st December 2005
		42.92	9.75%	4 quarterly installments of Rs 1,06,25000 commencing from the quarter ended 31 December 2005
		251.72	8.50%	21 quarterly installment of Rs.1,20,69,000 & 1 final installment of Rs.82,75,000 commencing from December,2005
		31.74	9.00%	26 monthly installment of Rs.12,00,000 & 1 final installment of Rs.3,00,000 commencing from October ,2005
		41.74	8.50%	32 monthly installment of Rs.12,50,000 & 1 final installment of Rs.14,50,000 commencing from October ,2005
	Secured against : a) Mortgage of immovable properties and hypothecation of movable properties and receivables.			
		484.55		

Financial Market Risks
Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks from changes in interest rates and inflation

Interest rate risk
Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to indebtedness as on September 30, 2005 as the interest rate could vary in the near future. Though all our loans are on fixed interest rates, our future borrowing is subject to the said risk.

Effect of Inflation
In line with changing inflation rates, we alter our margins to absorb the inflationary impact.
1. Unusual or infrequent events or transactions
The unusual or infrequent transactions include
a) Management fee income which we have earned for our Goa Multiplex project construction on behalf of Goa State Industrial Development Corporation.
b) SWAP Gain or Loss incurred as a part of other income on swap of interest on long term loans.
c) One time income from financing of film production from M/S Kaleidoscope.

There is no other material unusual transaction or infrequent event.

2. Known trends or Uncertainties
Other than as described below on seasonality of business, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

3. Future relationship between costs and income
We are continuously working to create efficient processes resulting in cost reduction and have a better control over our supply chain. We expect to continue this effort of improving our technology initiatives and try and realize better margins in the future. Any change in government policies on entertainment tax and sales tax can affect our cost structure. Further with the addition of new properties, we expect economies of scale to significantly add to our operating efficiencies and reduce our operating costs in relation to our operating revenue.

Other than the same and as covered in the risk section, to the best of our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

4. Total turnover for the industry
Please refer to the discussions in the section titled "Industry Overview" beginning on page 62 of this Draft Red Herring Prospectus.

5. New Products or business segments
While consolidating our position in the exhibition business we have also made an entry in the film distribution business and have acquired distribution rights for certain Hindi film titles, in select distribution circuits. We intend to examine the nuances of the distribution business, including possible synergies with our exhibition businesss, to see if there is a scope for value enhancement through distribution.

6. Seasonality of business
Historically, our business has been seasonal, and our financial performance has fluctuated from quarter to quarter. As a result of this, our quarter-on-quarter (and consequently our half year-on-half year) results may not be an accurate or meaningful indicator of our future quarterly performance. This is on account of various factors, which include:

- Timing of release of big-budget movies;
- Performance/non-performance of movies during a particular quarter

- Certain periods, like students exams, *Ramzan*, etc. have been lean periods in terms of revenue;
- Certain periods, like summer vacations, occurrence of festivals like Diwali and Christmas etc. have been periods of high revenue;
- Nature and quantum of promotional schemes being run at our various Multiplexes.

7. Material Development since the last audited balance sheet

- **Decrease in investments**
  The entire investment of Rs. 62 million in mutual fund units as on September 30, 2005 is redeemed by us post September 30, 2005.
- **Increase in loan funds:**
  We have availed a secured loan of Rs. 100 million from UTI Bank Limited on October 10, 2005.

8. Off Balance Sheet arrangements

None

9. Related party transactions

For details please refer to the section titled "Related Party Transactions" beginning on page 171 of this Draft Red Herring Prospectus.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigations, suits, civil or criminal prosecutions, proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, including pending proceedings for violation of statutory regulations or, alleging criminal or economic offences or tax liabilities against our Company, our Promoter, our Directors, and other companies/firms promoted by our Promoter that would have a material adverse effect on our business and there are no defaults, non-payments or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures or fixed deposits and arrears of cumulative preference shares that would have a material adverse effect on our business.

This section has been divided into five parts:

Part 1	Litigations relating to our Company
Part 2	Litigations against our Directors
Part 3	Litigations relating to Promoter and Promoter Group Companies
Part 4	Penalties imposed in past cases
Part 5	Litigation relating to the Multiplex industry affecting us

The Multiplex industry in India is of comparatively recent origin and some states have provided entertainment tax exemptions to encourage its growth. However, some of these tax exemption schemes/provisions are embroiled in litigations, challenging their validity. Our Company has availed/is availing/currently intends to avail of entertainment tax exemptions in relation to all our present Multiplexes, except for our Bangalore Multiplex. We are aware of certain litigations in relation to entertainment tax exemption schemes/provisions in Gujarat and Maharashtra (pursuant to which we have availed/are availing of tax exemptions) and whose validity is subject to litigations. These litigations are summarized in Part – 5 of this section.

PART 1 – LITIGATIONS RELATING TO OUR COMPANY

Cases by our Company

A. Income Tax Cases:

A1. Our Company has filed an appeal before the CIT (Appeals), Baroda against the order of the assessing officer (Assistant Commissioner of Income Tax, Circle 1(2), Baroda) dated March 28, 2005 pertaining to assessment year 2002-2003. *Vide* the said order, the assessing officer added a sum of Rs. 237,590/- (Rupees Two Hundred Thirty Seven Thousand Five Hundred Ninety) received on account of sale of tender forms and miscellaneous liabilities written back in our total income, and did not allow the same as reduction from cost of projects for setting up entertainment centers, as claimed by us. Pursuant to the said addition, we have been served with a notice of demand for assessment year 2002-2003 dated March 28, 2005 demanding Rs. 109,571/- (Rupees One Hundred Nine Thousand Five Hundred Seventy One) as income tax. The case is pending before the CIT (Appeals), Baroda.

B. Entertainment Tax Cases

B1. Our Company (along with Mr. Deepak Asher, our Director, as co-petitioner) has filed a petition before the West Bengal Taxation Tribunal, Salt Lake, Kolkata (the "**Tribunal**") (being Case No. 321 of 2005) against the Order No. 39-F-T. (Fin. Sanc.) dated May 13, 2005 (the "**Impunged Order**") passed by the Deputy Secretary to the Government of West Bengal, Finance (Revenue) Department against the following respondents, namely:

1. State of West Bengal, through the Secretary, Department of Finance (Revenue);
2. The Secretary, Government of West Bengal, Finance (Revenue) Department;

3. Deputy Secretary to the Government of West Bengal, Finance (Revenue) Department.

Under section 8C of the Bengal Amusements Tax Act, 1922 (as amended) and the relevant rules, our Company, by virtue of having set up a Multiplex theatre complex at Elgin Road (now known as Lala Lajpat Rai Sarani), Kolkata, is entitled to retain as subsidy, the amount of entertainment tax collected against the value of a ticket for admission for a period of four years from the date of commencement of the Multiplex or till such date when the total amount of entertainment tax retained by our Company does not exceed the total amount invested for making the new Multiplex complex, whichever is earlier. Pursuant to the same, our Company applied to the competent authority, stating the total amount of investment in our Elgin Road, Kolkata Multiplex at Rs. 78,501,173/- (Rupees Seventy Eight Million Five Hundred One Thousand One Hundred Seventy Three). Our Company received a copy of the Impunged Order passed by respondent No. 3, allowing, *inter alia,* a grant of eligible investment for subsidy of Rs. 57,651,427/- (Rupees Fifty Seven Million Six Hundred Fifty One Thousand Four Hundred Twenty Seven), which was less than the amount of investment as claimed by our Company by an amount of Rs. 20,849,746/- (Rupees Twenty Million Eight Hundred Forty Nine Thousand Seven Hundred Forty Six), and for which disallowance no reasons were provided in the Impunged Order. Our Company has pleaded before the Tribunal, *inter alia*, to issue one or more writ(s) to quash/cancel and not give any further effect to the Impunged Order so far as it disallows the said amount of Rs. 20,849,746/- (Rupees Twenty Million Eight Hundred Forty Nine Thousand Seven Hundred Forty Six). The case is currently pending before the West Bengal Taxation Tribunal, Salt Lake, Kolkata

B2. Our Company has filed an appeal before the Collector of Entertainment Tax, Vadodara against the Order of the Mamlatdar, Entertainment Tax, Vadodara dated April 2, 2003 (the "**Impunged Order**"). The Impunged Order, which purports to assess the entertainment tax benefit for our Vadodara Multiplex (i.e. the notional amount of entertainment tax that we would have paid if we did not enjoy ad-hoc entertainment tax exemption), assesses the total benefit availed for the period from October 18, 2002 till March 13, 2003 at Rs. 21,499,238 (Rupees Twenty One Million Four Hundred Ninety Nine Thousand Two Hundred Thirty Eight). We have filed an appeal against the Impunged Order, disputing the manner of assessment of entertainment tax benefit, and contending that the entertainment tax exemption claimed amounts to Rs. 10,749,619/- (Rupees Ten Million Seven Hundred Forty Nine Thousand Six Hundred Nineteen). The said appeal is pending before the Collector of Entertainment Tax, Vadodara.

B3. Our Company has filed an appeal before the Collector of Entertainment Tax, Vadodara against the Order of the Mamlatdar, Entertainment Tax, Vadodara dated July 3, 2004 (the "**Impunged Order**"). The Impunged Order, which purports to assess the entertainment tax benefit for our Vadodara Multiplex (that is, the notional amount of entertainment tax that we would have paid if we did not enjoy ad-hoc entertainment tax exemption) and further purports to impose liability for payment of entertainment tax on us after exhaustion of the said entertainment tax exemption, assesses the total entertainment tax liability for the period March 14, 2003 till May 31, 2004 at Rs. 55,998,889/- (Rupees Fifty Five Million Nine Hundred Ninety Eight Thousand Eight Hundred Eighty Nine), of which, after exhaustion of our entertainment tax exemption limits, we were liable to pay Rs. 23,053,127/- (Rupees Twenty Three Million Fifty Three Thousand One Hundred Twenty Seven). We have filed an appeal against the Impunged Order, disputing the manner of assessment of entertainment tax benefit, and contend that the entertainment tax exemption claimed for the aforesaid period amounts to Rs. 27,999,444.50/- (Rupees Twenty Seven Million Nine Hundred Ninety Nine Thousand Four Hundred Forty Four and Paise Fifty), which is within the limits of our ad-hoc entertainment tax exemption. The said appeal is pending before the Collector of Entertainment Tax, Vadodara.

With regard to B2. and B3 above: A writ petition, being Special Civil Application No. 5391 of 2004, has been filed before the Gujarat High Court bearing the title **Multiplex Association of Gujarat Versus The State of Gujarat and Others.** By this writ petition, the petitioner association has challenged the manner of assessment and calculation of the entertainment tax exemption by the State of Gujarat, which manner has been challenged on various grounds, *inter alia* that it is not in accordance with section 3 of the Gujarat Entertainments Tax Act, 1977. The petition is currently pending before the Gujarat High Court. The issues of law regarding manner of assessment and calculation of entertainment tax exemption involved in our Company's appeals before the Collector of Entertainment Tax, Vadodara in B2. and B3. above and those involved in this petition are substantially the same.

Vide its interim order dated October 27, 2005 the Gujarat High Court has, in a bunch of writ petitions including in this writ petition no. 5391 of 2004, directed all Multiplexes to pay 75% of the total amount claimed by State authorities by November 18, 2005, only then the rest of the recovery would be in abeyance otherwise the State would be entitled to appropriate action including every coercive action against the petitioners for recovery of the money. The Multiplex Association of Gujarat filed a petition in the Supreme Court against Gujarat High Court's aforesaid order, and the Supreme Court, vide its order dated November 18, 2005 directed the petitioners to move an application before the Gujarat High Court. Pursuant to the same, the Multiplex Association of Gujarat has filed a petition before the Gujarat High Courton November 21, 2005.

B4.

With respect to the interim order of the Gujarat High Court as mentioned in B3. above - our Company has been served a notice dated November 14, 2005 by the Mamlatdar – Entertainment Tax from the Office of the Collector, Entertainment Tax, Vadodara ("**Impunged Notice**"). The Impunged Notice refers to the aforesaid interim order of the Gujarat High Court dated October 27, 2002 and states that:

a) our Vadodara Multipex has been operational from October 18, 2002 till September 30, 2005; and
b) after claiming the sanctioned exemption limit of Rs. 54.45 Million, we are liable to pay entertainment tax amounting to Rs. 158,066,595/- (Rupees One Hundred Fifty Eight Million Sixty Six Thousand Five Hundred Ninety Five), and of which, in terms of the aforesaid order of the Gujarat High Court dated October 27, 2005, we have to pay 75% of the outstanding amount, namely Rs. 118,549,946/- (Rupees One Hundred Eighteen Million Five Hundred Forty Nine Thousand Nine Hundred Forty Six) by November 18, 2005; and
c) that if the said amount was not deposited in the prescribed period, the authorities would be compelled to take appropriate legal action for recovery of the of the said amount

We have replied to the Impunged Notice vide our letter dated November 18, 2005, putting forth our contentions as to non-payment of the amount demanded of Rs. 118,549,946/- (Rupees One Hundred Eighteen Million Five Hundred Forty Nine Thousand Nine Hundred Forty Six) *inter alia* on the ground that our total eligible investment for purposes of entertainment tax exemption (pending issue of final eligibility certificate) as well as the tentative amount of eligible investment as certified by the Commissionerate of Tourism for issue of ad-hoc eligibility certificate are higher than the amount of entertainment tax exemption availed by us as per the Impunged Notice.

With respect to the Impunged Notice, our Company has filed a petition before the Gujarat High Court, being special civil application No. 22383 of 2005 bearing the title **"Inox Leisure Limited & Anr. Vs. State of Gujarat & Ors."** By this writ petition, our Company has pleaded the Gujarat High Court for several reliefs, including:

a) Issue of an appropriate writ or order commanding the respondent authorities to issue final eligibility certificate based on the total investment made by our Company in our Vadodara Multiplex to the tune of Rs. 336,000,000/- (Rupees Three Hundred Thirty Six Million);
b) Issue of an appropriate writ, order or direction setting aside the Impunged Notice;
c) Issue of an appropriate writ, order or direction declaring that the manner of calculation of exemption on basis of total amount received on admission for entertainment and not the actual amount of tax which would otherwise have been payable under Section 3 of the Gujarat Entertainments Tax Act, 1977 for deciding the ceiling of entertainment tax exemption to be arbitrary, without jurisdiction and unconstitutional.
d) Issue of an appropriate writ, order or direction directing the respondents to calculate the amount of entertainment tax exemption utilized (which would be the notional amount of entertainment tax payable) strictly in accordance with Section 3 of the Gujarat Entertainments Tax Act, 1977;
e) Interim relief(s) for *inter alia* staying the operation of the Impunged Notice;

This petition is currently pending before the Gujarat High Court.

C. Property tax

C1. Our Company has filed two appeals, being Tax Appeal No. 76/03 and Tax Appeal No. 77/03 before the Court of the Civil Judge (S.D.) at Vadodara against the computation and assessment of property tax liability in respect of some portions of our Vadodara Multiplex being let out to third parties. In Tax Appeal No. 76/03, our Company has disputed the assessment of property tax at Rs. 896,383/- (Rupees Eight Hundred Ninety Six Thousand Three Hundred Eighty Three) for the period September 28, 2002 to March 31, 2003 in respect of property being let out to Hardcastle Restaurant Private Limited. In Tax Appeal No. 77/03, our Company has disputed the assessment of property tax at Rs. 91,181/- (Rupees Ninety One Thousand One Hundred Eighty One) for the period December 16, 2002 to March 31, 2003 in respect of property being let out to the Amalgamated Bean Coffee Trading Company Limited. Both these appeals are pending before the Court of the Civil Judge (S.D.) at Vadodara.

Cases against our Company

D. Customs Cases

D1. Our Company has been served with a summons issued under section 108 of the Customs Act, 1962 bearing No. SKP/205/05 dated September 1, 2005 from the Office of the Commissioner of Customs (Import), Air Cargo Complex, Sahar, Andheri (East), Mumbai. The said summons has been issued in connection with the enquiry being conducted by the customs authorities in connection with the import of cinematograph projection systems and Dolby processors by our Company, either directly or through M/s. MRH Digital Systems Private Limited, and required our authorized representative to be present with documents/details listed therein on September 16, 2005. Our representatives have attended to the summons and submitted the documents/details required. We are awaiting further proceedings, if any, in this regard.

E. Civil Cases

E1. A suit bearing no. 713 of 2003 has been filed against our Company by Mr. Rajesh V. Ayare (the "**Plaintiff**") in the Court of the Civil Judge, S.D., Vadodara. The said suit alleges, *inter alia,* that the Plaintiff was physically attacked while trying to enter a function organized at our Vadodara Multiplex on December 31, 2002 and claims a sum of Rs. 500,000/- (Rupees Five Hundred Thousand) as damages along with interest @ 12% p.a. from the date of filing the suit till the date of actual realization of amount. Our Company's contention, *inter alia*, is that we were not the organizers of the said event held on December 31, 2002, where the Plaintiff was allegedly attacked and, that we had merely let out our premises for hire charges to an event management organizer. The suit is currently pending before the Court of the Civil Judge, S.D., Vadodara

F. Entertainment Tax/Advertisement Tax Cases

F1. A show cause notice dated September 20, 2005 has been issued to our Company from the office of the Collector & District Magistrate, Mumbai City. The said notice alleges that we have violated the conditions contained in our eligibility certificate dated May 25, 2005 (which is the certificate granting us exemption from entertainment duty at our Mumbai Multiplex), *inter alia* by charging rate of entry which was lower than the prevailing highest rate for admission, at any given time, in any cinema theatre in the district in which the said Multiplex is situated for a period from May 25, 2005 to September 12, 2005 and by not providing information about exhibition of Marathi movies at our Mumbai Multiplex.

The said notice requires us to show cause as to why, in the view of the alleged contraventions, our eligibility certificate dated May 25, 2005 should not be cancelled and entertainment duty should not be collected for the period from May 25, 2005 till September 12, 2005 and requiring us to file our reply. We have filed our reply with the Collector, laying forth our contentions in relation to the alleged violations, and are awaiting further proceedings, if any, in this matter.

F2. A show cause notice dated June 30, 2004 has been issued to our Company from the office of the Commissioner of Entertainment Tax, Gujarat State, Gandhinanar. The said notice alleges, *inter alia*, non-compliance with various conditions of our eligibility certificate dated January 31, 2003 (which was the certificate granting us ad-hoc exemption from entertainment duty at our Vadodara Multiplex), non-maintenance of prescribed form nos. 17 and 19 manually etc.

The said notice states that our Company has to show cause as to why, in the view of the alleged contraventions, our entertainment tax exemption granted to us for our Vadodara Multiplex should not be postponed with immediate effect for alleged violations of the provisions of the Gujarat Entertainments Tax Act, 1977, Gujarat Entertainments Tax Rules, 1977 and the conditions contained in our eligibility certificate dated January 31, 2003. We have filed our reply with the Commissioner of Entertainment Tax, laying forth our contentions in relation to the alleged violations, and await further proceedings, if any, in this regard.

F3. Our Company has been served with a notice bearing no. CCA/VS/422/05 dated March 15, 2005 from the office of the District Collector, Pune (entertainment tax branch) demanding Rs. 123,900/- (Rupees One Hundred Twenty Three Thousand Nine Hundred) as entertainment tax, for showing cricket match on March 21, 2004 at our Pune Multiplex by canceling regular shows. As per our calculations, our total tax liability for entertainment tax pursuant to this notice amounted to Rs. 112,095/- (Rupees One Hundred Twelve Thousand and Ninety Five), which we have deposited with appropriate authorities, and which is less than the demand raised in the aforesaid notice by an amount of Rs. 11,805/- (Rupees Eleven Thousand Eight Hundred Five). We have replied to the aforesaid notice accordingly, our last reply being *vide* our letter dated April 13, 2005 and no further demand has been raised or communication received from the concerned department till date in this regard.

F4. Our Company has been served with a notice bearing no. CCA/VS/5/126/2003 dated November 5, 2003 from the office of the District Collector, Pune (entertainment tax branch) demanding advertisement tax of Rs. 540,000/- (Rupees Five Hundred Forty Thousand) for the period March 15, 2002 till May 9, 2003 at our Pune Multiplex. We have disputed this demand on several grounds, and as per our calculations, our total tax liability for advertisement tax pursuant to this notice amounted to Rs. 135,000/- (Rupees One Hundred Thirty Five Thousand), which we have deposited with appropriate authorities. However, the amount so deposited is less than the demand raised in the aforesaid notice by an amount of Rs. 405,000/- (Rupees Four Hundred and Five Thousand). We have replied to the aforesaid notice accordingly and and no further demand has been raised or communication received from the concerned department till date in this regard.

G. Writ Petitions

A writ petition has been filed in the Calcutta High Court being W.P. no. 13159(W) of 2004 bearing the title **Diganta & Anr. Vs. State of West Bengal. & Ors,** and in which we have been impleaded as respondent No. 6**.** In this writ petition, the grant of cinema license by the Commissioner of Police, Kolkata and no-objection certificate by the Director-General, West Bengal Fire Services to our Elgin Road, Kolkata Multiplex has been challenged, alleging, *inter alia,* that the grant of the said license/certificate to our Elgin Road, Kolkata Multiplex was not in accordance with the West Bengal Cinemas (Regulation) Act, 1954 and the West Bengal Cinemas (Regulation of Public Exhibition) Rules, 1956 and praying, *inter alia*, for withdrawal/cancellation of the said license/certificate. We have, in our defence, *inter alia* raised contentions denying/disputing the allegations contained in the writ petition. The petition is currently pending before the Calcutta High Court.

H. Arbitration cases

Shapoorji Pallonji & Co. Ltd. has initiated arbitration proceedings against our Company in relation to the construction of our Vadodara Multiplex, and our Company has filed a counter-claim in the same proceedings against Shapoorji Pallonji & Co. Ltd. The claim by Shapoorji Pallonji & Co. Ltd. is for Rs. 24,209,819/- (Rupees Twenty Four Million Two Hundred Nine Thousand Eight Hundred Nineteen), along with interest @ 15% per annum from July 16, 2004. This claim is on various counts including unpaid certified amounts and compensation for delay in construction of our Vadodara Multiplex, which delay was allegedly caused due to delays and defaults on our part. Our Company's counter-claim is for Rs. 26,329,212/- (Rupees Twenty Six Million Three Hundred Twenty Nine Thousand Two Hundred Twelve) on account of losses allegedly caused to us due to delay in construction of Vadodara Multiplex, due to alleged delays and defaults on part of Shapoorji Pallonji & Co. Ltd. The arbitration is currently pending before the arbitral tribunal consisting of (i) Professor Madhav Deobhakta, Presiding Arbitrator; (ii) Dr. Rosham H. Namavati; and (iii) Mr. Dinker A. Kothari.

I. **Entry Tax cases**

Our Company has been served with a notice bearing no. JCCT/INT/SZ/ACCT(INT)-IV/INS/05-06 dated October 6, 2005 from the office of the Joint Commissioner of Commercial Taxes (Intelligence), Bangalore demanding special entry tax of Rs. 4,738,485/- (Rupees Four Million Seven Hundred Thirty Eight Thousand Four Hundred Eighty Five) under Section 10 of the Karnataka Special Entry Tax on Entry of Certain Goods Act, 2004 in relation to certain goods at our Bangalore Multiplex which were brought from other states/imported. We have filed our reply *vide* letter dated October 29, 2005, and have requested for further time to substantiate our stand in this regard.

J. Property Tax cases

J1. Our Company has been served with a notice bearing number A/19 of 2005-06 dated September 26, 2005 from the Brihanmumbai Mahanagarpalika demanding a sum of Rs. 56,197,831/- (Rupees Fifty Six Million One Hundred Ninety Seven Thousand Eight Hundred Thirty One) as municipal property tax for the period from November 12, 2004 till September 30, 2005 for our Mumbai Multiplex. This notice is in continuation of the earlier notices of the Brihanmumbai Mahanagarpalika dated March 18, 2005 and June 22, 2005, also demanding property tax for our Mumbai Multiplex. We have disputed the manner of assessment of rateable value of our Mumbai Multiplex (for calculation of property tax) in both these notices, and our complaint is pending before the Assistant Assessor and Collector, A-Ward, Brihanmumbai Mahanagarpalika under no. ACR/212 of 04-05.

PART 2 – LITIGATIONS AGAINST OUR DIRECTORS

K. Except for the notice for admission of complaint against Mr. Vivek Jain, Director referred to in M6.(A) below, there are no litigations etc. pending against any of our Directors.

PART 3 – LITIGATIONS IN RELATION TO PROMOTER AND PROMOTER GROUP COMPANIES

Litigations relating to our Promoter, being GFL:

L. Litigations by GFL:

L1. ***Civil and criminal cases:***

A. GFL has, through its authorized nominee Mr. Bhavin Desai, filed a suit (being Special Civil Suit No. 100/98) before the Court of the Civil Judge (S.D.) at Vadodara, against M.S. Refrigeration Company, a proprietary concern (Proprietor : Manjit Singh). In the said suit, GFL has claimed a sum of Rs. 1,128,000/- (Rupees One Million One Hundred Twenty Eight Thousand) towards amounts allegedly due on delivery of refrigeration gas plus interest and damages and 72 (seventy two) empty gas cylinders in which the said refrigerator gas was allegedly delivered to M.S. Refrigeration Company This case is currently pending before the Court of the Civil Judge (S.D.) at Vadodara. GFL. GFL has also filed a Criminal Complaint under section 406 of the Indian Penal Code for recovery of the aforesaid 72 empty gas cylinders, which are valued at Rs. 390,000/- (Rupees Three Hundred Ninety Thousand).

B. GFL has filed a criminal complaint under section 138 of the Negotiable Instruments Act, (bearing no. 483/1998) against M/s. Universal Services, Nagpur in the Court of the Chief Judicial Magistrate, Baroda in respect of dishonour of cheques amounting to Rs. 300,000/- (Rupees Three Hundred Thousand) issued in favour of GFL. The case is currently pending before the Court of the Chief Judicial Magistrate, Baroda

C. GFL has filed a criminal complaint (being criminal compliant no. 641/98) before the J.M.F.C. (Judicial Magistrate First Class) at Devgadhbaria (in Gujarat), against Mr. Upendra Kachru, an ex-employee of GFL, under section 630 of the Companies Act for recovery of a motor car, allegedly in his possession, belonging to GFL (being Maruti 800 model bearing Registration No. DL2CH-3121). GFL has alleged, *inter alia*, that the said Mr. Upendra has not returned the car, which was provided to him in the course of his employment, after his employment was terminated. Pursuant to revision in taluka borders, the case has been transferred to the Court of the J.M.F.C. at Halol(Gujarat), where it is currently pending.

L2. ***Labour cases – pending before Gujarat High Court:***

A. GFL has filed a writ petition in the Gujarat High Court, being special civil application no. 7830 of 1999 bearing the title **"Gujarat Fluorochemicals Limited Versus Dilip Maganbhai Patel"**. In this writ petition, GFL has challenged the award of the Labour Court, Godhra dated February 17, 1999 in Reference No. 15/94 ("**Impunged Order**") and further disallowing GFL's application for restoration. *Vide* the Impunged Order, the Labour Court, Godhra, *inter alia*, directed reinstatement of the said Mr. Dilip Patel without back wages. The Gujarat High Court has, *vide* its order dated December 27, 1999 granted interim relief to Mr. Dilip Patel and ordered GFL to pay wages to him as per section 17-B of the Industrial Disputes Act. Mr. Dilip Patel has filed a civil application in this writ petition, praying for several interim reliefs, including reinstatement in service and higher interim wages. The writ petition (and the application filed therein) are currently pending before the Gujarat High Court.

B. GFL has filed a writ petition in the Gujarat High Court, being special civil application no. 7832 of 1999 bearing the title **"Gujarat Fluorochemicals Limited Versus Mukeshbhai Harmanbhai Patel"**. In this writ petition, GFL has challenged the award of the Labour Court, Godhra dated February 17, 1999 in Reference No. 16/94 ("**Impunged Order**") and further disallowing GFL's application for restoration. *Vide* the Impunged Order, the Labour Court, Godhra, *inter alia*, directed reinstatement of the said Mr. Mukesh Patel without back wages. The Gujarat High Court has, *vide* its order dated December 27, 1999 granted interim relief to Mr. Mukesh Patel and ordered GFL to pay wages to him as per section 17-B of the Industrial Disputes Act. Mr. Mukesh Patel has filed a civil application in this writ petition, praying for several interim reliefs, including reinstatement in service and higher interim wages. The writ petition (and the application filed therein) are currently pending before the Gujarat High Court.

L3. Income tax cases

Note: The tax liabilities, have already been paid by GFL/adjusted against its refunds by the income-tax department, except for assessment year 1997-1998, and therefore there are no outstanding income-tax demands against GFL (as estimated by GFL), as on date of filing the Draft Red Herring Prospectus with SEBI.

Assessment year 1992-93

A. GFL has filed a writ petition in the Gujarat High Court at Ahmedabad, being special civil application No. 12855 of 1994 against the following respondents, namely:

1. Commissioner of Income-tax, Baroda;
2. Chief Commissioner of Income-tax, Gujarat;
3. Central Board of Direct Taxes, New Delhi; and
4. Income Tax Officer, Ward 2(1), Baroda.

The said writ petition pertains to assessment year 1992-93. By this writ petition, GFL has challenged the order dated October 6, 1992 passed by respondent no. 1, order dated January 18, 1993 passed by respondent no. 2 and order dated April 19, 1993 passed by respondent no. 3 (collectively referred to as the "**Impunged Orders**"). In this case, excess amount of tax amounting to Rs. 1,026,868/- (Rupees One Million Twenty Six Thousand Eight Hundred Sixty Eight) was paid in 1987, for which refund was sanctioned by the respondent no. 4 *vide* its order dated November 30, 1990. However, no interest was granted on the amount refunded for the period from July 1, 1987 till November 30, 1990 and against which respondent nos. 2, 3 and 4 were approached, and who denied the same *vide* the Impunged Orders. GFL first approached the Delhi High Court for relief by civil writ petition no. 4207/1993. However, the Delhi High Court directed GFL to approach the Gujarat High Court *vide* its order dated May 6, 1994. GFL has pleaded the Gujarat High Court, *inter alia*, to issue one or more writs to quash and set aside the Impunged Orders, to grant interest to GFL on Rs. 1,026,868/- for the period July 1, 1987 till November 30, 1990 and further for compensating GFL by granting running interest on the interest amount granted in this petition till the date of payment.

Assessment year 1996-97:

B. GFL has filed an appeal in the Gujarat High Court at Ahmedabad relating to assessment year 1996-97, being tax appeal no. 468 of 2000 under section 260A of the Income Tax Act bearing the title **"Gujarat Fluorochemicals Limited Versus Commissioner of Income-tax, Vadodara"**. The said appeal has been filed against the order of the Income Tax Appellate Tribunal, Ahmedabad Bench "A" dated August 24, 2000 in so far as it holds that the amount of excise duty of Rs. 62,865,426/- (Rupees Sixty Two Million Eight Hundred Sixty Five Thousand Four Hundred Twenty Six) and sales tax of Rs. 5,104,629/- (Rupees Five Million One Hundred Four Thousand Six Hundred Twenty Nine) collected by GFL from its customers be included in the amount of "total turnover" for the purposes of computation of deduction under section 80HHC of the Income Tax Act, thereby reducing the amount of deduction available to GFL under section 80HHC of the Income-Tax Act.

Assessment Year 1999-2000

C. GFL has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad relating to assessment year 1999-2000 bearing the title **"Gujarat Fluorochemicals Limited Versus Additional Commissioner of Income Tax (Range-1), Baroda"**. The said appeal has been filed against the order of the Commissioner of Income Tax (Appeals) – III, Baroda dated August 13, 2002 insofar as it relates to the following:

1. Holding sales tax amounting to Rs. 20,785,882/- (Rupees Twenty Million Seven Hundred Eighty Five Thousand Eight Hundred Eighty Two) and excise duty amounting to Rs. 80,514,532/- (Rupees Eighty Million Five Hundred Fourteen Thousand Five Hundred Thirty Two) collected from customers as part of 'total turnover' for the purpose of claiming deduction under section 80HHC of the Income Tax Act (which would reduce the amount of deduction available to GFL under the said section 80HHC);
2. Disallowance of Rs. 34,165,845/- (Rupees Thirty Four Million One Hundred Sixty Five Thousand Eight Hundred Forty Five) in respect of diversification expenses;
3. Disallowance of Rs. 4,130,126/- (Rupees Four Million One Hundred Thirty Thousand One Hundred Twenty Six) being principal amount of inter-corporate deposit written off and Rs. 1,491,125/- (Rupees One Million Four Hundred Ninety One Thousand One Hundred Twenty Five) being unrealized interest written off.
4. Adjustments for computing deduction under section 80HH:
   - (i) Exclusion of interest and dividend amounting to Rs. 67,491,647/- (Rupees Sixty Seven Million Four Hundred Ninety One Thousand Six Hundred Forty Seven) from profits derived from industrial undertaking, or alternatively, determination of expenses for earning such income at only 2.5% of such income, for the purpose of excluding income from interest and dividend, for computing deduction under section 80HH;
5. Disallowance of Rs. 61,687/- (Rupees Sixty One Thousand Six Hundred Eighty Seven) being one-tenth of the sundry expenses;
6. Disallowance of Rs. 18,959/- (Rupees Eighteen Thousand Nine Hundred Fifty Nine) being one-tenth of the garden maintenance expenses;
7. Disallowance of Rs. 258,464/- (Rupees Two Hundred Fifty Eight Thousand Four Hundred Sixty Four) being expenditure on presentation articles;
8. Confirming inclusion of Rs. 461,489/- (Rupees Four Hundred Sixty One Thousand Four Hundred Eighty Nine) incentive received in respect of investments made by GFL, and in respect of which GFL contends that the same is a capital receipt.

Assessment year 2000-2001:

D. GFL has filed a writ petition in the Gujarat High Court at Ahmedabad, being special civil application No. 1 of 2005 bearing the title "**Gujarat Fluorochemicals Limited Versus Assistant Commissioner of Income Tax, Circle – 1(1), Baroda**" relating to assessment year 2000-2001. By this writ petition, GFL has challenged the notice dated August 3, 2004 issued by the respondent under section 148 of the Income Tax Act seeking to re-open GFL's assessment for assessment year 2000-2001 ("**Impunged Notice**"). The grounds on which the assessment is sought to be re-opened, as subsequently communicated to GFL, are as follows:

1. Amount of Rs. 390,700/- (Rupees Three Hundred Ninety Thousand Seven Hundred) allegedly paid as penalty for non-fulfillment of export obligation sought to be disallowed;
2. 90% of the insurance claim of Rs. 1,472,186/- (Rupees One Million Four Hundred Seventy Two Thousand One Hundred Eighty Six) sought to be reduced from the profits of the business while calculating deduction under section 80HHC of the Income Tax Act;
3. Disallowance of loss of Rs. 35,100,000/- (Rupees Thirty Five Million One Hundred Thousand) resulting from alleged dividend stripping.

GFL has pleaded before the Gujarat High Court, *inter alia* to issue one or more suitable writs to quash and set aside the Impunged Notice and interim relief by way of stay on the Impunged Notice. *Vide* its order dated January 3, 2005 the Gujarat High Court has granted interim relief to GFL by way of stay on the implementation and operation of the Impunged Notice and stay on further proceedings for assessment year 2000-2001. No notice of demand has been served upon GFL pursuant to the Impunged Notice and the liability involved, if any is not quantifiable.

Assessment year 2001-2002:

E. GFL has filed an appeal before the Commissioner of Income Tax (Appeals) – I relating to assessment year 2001-02. The said appeal has been filed against the order of the assessing officer (being Assistant Commissioner of Income-tax, Circle – 1(1), Baroda) dated June 14, 2005 under section 154 of the Income Tax Act(the "**Impunged Order**"). *Vide* the Impunged Order, the assessing officer has allowed interest under section 244A of the Income Tax Act at Rs. 592,474/- (Rupees Five Hundred Ninety Two Thousand Four Hundred Seventy Four) as against the interest of 2,535,696/- (Rupees Two Million Five Hundred Thirty Five Thousand Six Hundred Ninety Six) claimed by GFL, since the amount of interest paid under section 234B of the Income Tax Act has been disallowed by the assessing officer in calculating interest allowable under section 244A of the Income Tax Act. GFL's contention in the appeal is that the Impunged Order is against law and facts, and that the amount of interest under section 244A be allowed at Rs. 2,535,696/- (Rupees Two Million Five Hundred Thirty Five Thousand Six Hundred Ninety Six).

Assessment year 2002-2003:

F. GFL has filed an appeal before the Commissioner of Income Tax (Appeals) relating to assessment year 2002-2003. The said appeal has been filed against the order of the assessing officer (being Assistant Commissioner of Income-tax, Circle 1(1), Baroda) dated August 20, 2004 (the "**Impunged Order**"). The Impunged Order has been challenged insofar as it relates to:

1. Including compensation of Rs. 170,635,278/- (Rupees One Hundred Seventy Million Six Hundred Thirty Five Thousand Two Hundred Seventy Eight) received for complete closure in production of CFC's to be achieved through phased reduction and eventual dismantling of plant, if it can not be put to use otherwise, in the total income;
2. Disallowance of Rs. 9,000,000/- (Rupees Nine Million) out of expenditure on professional fees;
3. Disallowance of Rs. 1,000,000/- (Rupees One Million) being estimated overhead expenses for investment activity;
4. Disallowance of expenses of Rs. 5,292,647/- (Rupees Five Million Two Hundred Ninety Two Thousand Six Hundred Forty Seven) by observing that the expenses are not incurred in carrying on business of GFL and also in absence of details;
5. Disallowance of Rs. 1,264,381/- (Rupees One Million Two Hundred Sixty Four Thousand Three Hundred Eighty One) being expenses incurred under the head "village development expenses"
6. Disallowance of Rs. 1,524,537/- (Rupees One Million Five Hundred Twenty Four Thousand Five Hundred Thirty Seven) being expenditure on contribution to Refrigerant Gas Manufacturer's Association, by observing that such contribution is capital in nature and has no nexus with GFL's business;
7. Not allowing claim of Rs. 324,662/- (Rupees Three Hundred Twenty Four Thousand Six Hundred Sixty Two) being expenditure relating to year under consideration accounted in the following year;

8. Disallowance of amount written off of Rs. 76,221/- (Rupees Seventy Six Thousand Two Hundred Twenty One) being amounts recoverable from employees who had left the company on account of notice period;
9. Disallowance of an amount of Rs. 505,097/- (Rupees Five Hundred Five Thousand and Ninety Seven) being amount of sundry balances written off;
10. Disallowance of an amount of Rs 674,000/- (Rupees Six Hundred Seventy Four Thousand) being charges for extension of time for construction of building at Noida;
11. In respect of deduction under section 80HHC of the Income Tax Act:
    (i) Inclusion of sales tax of Rs. 18,663,331/- (Rupees Eighteen Million Six Hundred Sixty Three Thousand Three Hundred Thirty One) and excise duty amounting to Rs. 51,744,511/- (Rupees Fifty One Million Seven Hundred Forty Four Thousand Five Hundred Eleven) collected from customers in total revenue for the purposes of computing deduction under section 80HHC;
    (ii) Reducing amounts of Rs. 2,673,037/- (Rupees Two Million Six Hundred Seventy Three Thousand and Thirty Seven Only) paid to customers for shortage claims from export turnover for computing deduction under Section 80HHC;
    (iii) Reducing 90% of Rs. 1,480,036/- (Rupees One Million Four Hundred Eighty Thousand and Thirty Six) being amount received on account of insurance claims for computing "profits of the business".
    (iv) Reducing 90% of other income of Rs. 33,998/- (Rupees Thirty Three Thousand Nine Hundred Ninety Eight) in computing profits of business while computing deduction under section 80HHC;

12. Charging of interest under Section 234B of the Income Tax Act amounting to Rs. 21,408,711/- (Rupees Twenty One Million Four Hundred Eight Thousand Seven Hundred Eleven).

L4. ***Writ petitions (other than labour and income-tax cases)***

A. GFL has filed a writ petition in the Gujarat High Court bearing no. 17551 of 2003 against the following respondents, namely:

1. State of Gujarat (notice to be served through the Secretary, Ministry of Civil Supplies, Sachivalaya, Gandhinagar; and

2. District Supply Officer, Collector Office, Civil Supplies Department, Godhra.

The said writ petition has been filed by GFL against orders dated December 4, 2003 and December 8, 2003. The seizure order dated December 4, 2003 provides for seizure of kerosene valued at Rs. 72,306/- and diesel valued at Rs. 141,514/- (totaling to Rs. 213,820/-) lying at GFL's premises, while the order dated December 8, 2003 confirms such seizure on ground that GFL was using the kerosene in D. G. set while it was using the diesel in D. G. set and in the boiler, which was allegedly in violation of:

1. The Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993;

2. The Solvent, Raffinate and Slop (Acquisition, Sale, Storage and Prevention of use in Automobiles) Order, 2000;

3. Gujarat Essential Articles Dealers (Regulation) Order, 1977; and

4. Gujarat Essential Articles (Licensing Control and Stock Declaration) Order, 1981.

GFL has pleaded before the High Court to *inter alia* issue one or more writs to set aside the seizure order dated December 4, 2003 and order dated December 8, 2003, and to grant interim reliefs. *Vide* its order dated December 16, 2003 the Gujarat High Court prevented seizure of stocks of kerosene and diesel, subject to furnishing a bank guarantee of Rs. 213,000/- (Rupees Two Hundred Thirteen Thousand) to the District Civil Supplies Officer by GFL.

GFL has furnished the said bank guarantee, and has used/consumed the seized stock of diesel and kerosene. The writ petition is currently pending before the Gujarat High Court.

M. Litigations against GFL:

M1. ***Civil and criminal cases:***

A. A case has been filed by United India Insurance Company Limited (the "**Plaintiff**") against Lirin Roadlines Private Limited and GFL (the "**Defendants**"), being Special Suit No. 213/2000 in the Court of the Civil Judge (Senior Division) at Baroda. The Plaintiff has claimed an amount of Rs. 679,334/- (Rupees Six Hundred Seventy Nine Thousand Three Hundred Thirty Four) with interest @ 18% p.a. from the date of the suit till realization against the Defendants. In this case, the Plaintiff insurance company has paid an amount of Rs. 679,334/- (Rupees Six Hundred Seventy Nine Thousand Three Hundred Thirty Four) to GFL, on account of an insurance claim for loss of goods in transit, allegedly due to the rash and negligent driving of the driver of the transporter, being Lirin Roadlines Private Limited, and has the filed the suit against Lirin Roadlines Private Limited, impleading GFL as the second defendant, for the recovery of the aforesaid amount with interest as stated above.

M2. ***Motor accident claims***

There are four claims pending against GFL on account of alleged motor accidents before various motor accident tribunals. Details of these cases are given hereunder:

S,No.	Title of case, date of alleged accident and authority before which pending	Case number	Amount claimed (Rs.) and remarks, if any*
A.	Tersingh Chandrabhai Rathwa Versus (i) Hamirsingh Jalamsingh Chauhan; (ii) Gujarat Fluorochemicals Limited; (iii) The New India Insurance Company Limited. Date of alleged accident: March 27, 2002 Pending before the Motor Accident Claims Tribunal, Godhra (Panchmahal District).	M.A.C.P. No. 635/2002	(i) 300,000/- plus interest @ 18 % per annum from date of application till date of payment; (ii) On basis of interim relief claimed by applicant, Tribunal *vide* its order dated February 25, 2003 granted him interim relief of Rs. 25,000/- along with proportionate costs and running interest @ 9% per annum from the date of application till the realization of amount to the applicant. Of this, an amount of Rs. 17,500/- be invested in a fixed deposit in a nationalized bank for a period of five years, while the applicant would be entitled to have periodical interest on it. Rest of amount, along with costs and expenses, be given to applicant. (iii) The liability for payment is joint and several. GFL has been informed that the insurance company has made the interim payment.
B.	Bhikabhai Himmatbhai Rathwa Versus (i) Hamirsingh Jalamsingh Chauhan; (ii) Gujarat Fluorochemicals Limited;	M.A.C.P. No. 627/2002	(i) 300,000/- plus interest @ 18 % per annum from date of application till date of payment; (ii) Interim relief of Rs. 25,000 and such other relief as may be deemed fit by the Tribunal.

	(iii) The New India Insurance Company Limited. Date of alleged accident: March 27, 2002 Pending before the Motor Accident Claims Tribunal, Godhra (Panchmahal District).		
C.	Ambalalbhai Purshottambhai Parmar Versus (i) Jayendrasingh Lakshmansingh Solanki; (ii) Gujarat Fluorochemicals Limited; (iii) The Oriental Insurance Company Limited. Date of alleged accident: November 11, 2004 Pending before the Motor Accident Claims Tribunal, Vadodara	MACP No. 795/2005	400,000/- plus interest @ 18 % per annum from date of accident
D.	Bhikubhai Punjabhai Patel Versus (i) Hemant Chandrakantbhai Patel (ii) Gujarat Fluorochemicals Limited; Date of alleged accident: February 28, 2000 Pending before the Motor Accident Claims Tribunal, Vadodara	M.A.C.P. No. 2211/2000	(i) 100,000/- along with interest @18% p.a. from the date of filing the suit till date of payment (ii) On basis of the interim relief claimed by the applicant, the MACT, *vide* an *ex-parte* order dated January 27, 2003 decreed the Opponents to pay Rs. 25,000/- (Rupees Twenty Five Thousand) with interest as decreed therein, pursuant to which an amount of Rs. 27,900/- (Rupees Twenty Seven Thousand Nine Hundred) has been deposited by GFL with the MACT, Baroda GFL has filed an application to include New India Insurance Company Limited

* - Including percentage at which interest demanded but excludes other claims, if any.

M3. ***Excise and customs cases:***

A. A demand notice no. S/20-37/GR.VII/2004 dated January 13, 2005 has been issued from the office of the Commissioner of Customs, Kandla to GFL. The said demand notice demands an amount of Rs. 2,066,568/- (Rupees Two Million Sixty Six Thousand Five Hundred Sixty Eight) on account of import of high speed diesel. The said amount was paid by GFL under protest. GFL has filed a refund application for the said amount of Rs. 2,066,568/- paid under protest before the Assistant Commissioner of Customs, Kandla *vide* its letter dated April 2, 2005. The refund application is currently pending before the Assistant Commissioner of Customs, Kandla.

M4. ***Labour cases pending at the Labour Court, Godhra:***

There are seven labour cases pending at the Labour Court, Godhra involving GFL, being claims for re-instatement of dismissed employees of GFL/contract labour employed through contractors by GFL.

Cases pending regarding ex-employees of GFL:

S,No.	Name of ex-employee	Case number	Liability on account of back wages (as on March 31, 2005) (Rs.)
A.	Mr. Jitendra Pathak	LCG/Ref./694/98	295,180
B.	Mr. B.B.Prajapati	LCG/Ref./711/98	319,050
C.	Mr. D.L.Patel	LCG/Ref./573/01	384,440
D.	Mr. B.A. Patel	LCG/Ref./42/04	146,259
	Total		1,144,929

Brief facts regarding each of these cases is as follows:

A. **Mr. Jitendra Pathak's case:** Mr Jitendra Pathak was employed by GFL as a trainee instrument mechanic and his services were terminated on April 30, 1992. He filed an application reference no. 327/92 before the Labour Court Godhra and an award was passed ex-parte for reinstatement of Mr. Pathak with back wages. GFL filed miscellaneous application on Ref. 694/98 for setting aside ex-parte order demanding reinstatement in service with back wages. An order was passed by the Labour Court, Godhra on May 20, 1998 allowing GFL's application and reopening the case for arguments on merit. The Labour Court, Godhra *vide* its order dated June 11, 1999 ordered for payment of costs of Rs. 5,000/- to Mr. Pathak, which was paid by GFL.

B. **Mr B.B. Prajapati's case:** Mr. B.B. Prajapati was employed by GFL as Assistant Chemist (Production) and his services were terminated with effect from March 19, 1998. He has made a reference before the Labour Court Godhra for, *inter alia,* reinstatement with back wages, being Ref. no. 711/98. GFL has submitted its reply, and the matter is currently pending.

C. **Mr. D.L.Patel's case:** Mr D.L. Patel was employed by GFL as a Welder (and sent on deputation to Industrial Oxygen Company Limited, now known as Inox Air Products Limited), and his services were terminated with effect from August 26, 2000. He has made a reference to the Labour Court Godhra for, *inter alia*, reinstatement with back wages. GFL has submitted its reply, and the matter is currently pending.

D. **Mr. B.A. Patel's case:** Mr BA Patel was employed by GFL as Operator (Filler cum Tester) and his services were terminated with effect from September 15, 2003. He has made a reference to the Labour Court, Godhra for, *inter alia*, reinstatement with back wages. GFL has submitted its reply, and the matter is currently pending.

Cases pending regarding ex-employees employed through contract labour

S,No.	Name of ex-employee employed through contract labour	Case number	Liability on account of back wages (as on March 31, 2005)
E.	Mr. Takhatsingh Parmar Contractor : Gayatri Engineering	R/58/95 and Misc. Appn. No. 01/04	347071
F.	Mr. Ganpat Parmar Contractor : Gayatri Engineering	R/59/95	347071
G.	Mr. Mayur Panchal Contractor: J.J. Associates	R/14/02	125,553
	Total		819,695

E. Mr. Takhatsingh Parmar's case:

Mr Takhatsingh Parmar, a contract labourer, was employed by our ex contractor Gayatri Engineering. His services were terminated on October 13, 1994. He has filed a reference before the Labour Court Godhra and an *ex-parte* award was passed by the presiding officer for reinstatement of Mr. Parmar with back wages on August 28, 2003 and for payment of costs. GFL has filed a miscellaneous application for reopening of case, which has been granted by the Court and case has been reopened.

F. Mr. Ganpat Parmar's case:

Mr. Ganpat Parmar, a contract labourer, was employed by our ex contractor Gayatri Engineering. His services were terminated on October 13, 1994. He has made a reference before the Labour Court Godhra for, *inter alia*, reinstatement with back wages, where the matter is currently pending.

G. **Mr. Mayur Panchal's case:**

Mr. Mayur Panchal, a contract labourer, was employed by our contractor JJ Associates. His services were terminated on July 1, 2001. He has made a reference before the Labour Court Godhra for, *inter alia*, reinstatement with back wages, where the matter is currently pending.

In addition to to E., F. and G. above, an order is pending against Gayatri Engineering and GFL in respect of Mr. Ranjit Parmar, a contract labourer, who was employed by our ex-contractor Gayatri Engineering, and against which no appeal is currently pending to GFL's knowledge. As per the said order, the responsibility of re-instatement with full back wages of Mr. Parmar is that of the contractor, Gayatri Engineering, while GFL is jointly and severally liable with the contractor for payment of costs of Rs. 2,000/-. The concerned workman has not yet claimed the said amount from GFL.

M5. Industrial disputes

An industrial dispute bearing ref. no. IT/22/1996 is currently pending before the Industrial Court, Vadodara. The same has been referred to the Industrial Court by the Labour Commissioner, Ahmedabad (Gujarat) under section 10(1) of the Industrial Disputes Act, 1947. The dispute pertains to GFL allegedly employing contract labour through the following four agencies, namely Gayatri Engineering, Mahavir Catering Company, Baroda Handling Agency and Shree Meena Savalram T., for work of a permanent nature allegedly in violation of the provisions of the Contract Labour Act. The dispute is as regards whether such contract workers be employed by GFL, and be given the same benefits as permanent employees of GFL from the date of their appointment.

M6. Notice under Prevention of Cruelty to Animals Act

A. A notice no. PLS/MHS/VASI/6892 dated December 2, 2004 was issued to GFL from the officer of the District Magistrate, Pachmahals, Godhra regarding an application filed for admission of complaint in respect of alleged offence under section 11(1)(l) of the Prevention of Cruelty to Animals Act, 1960. The complainants are:

1. The President, Gujarat Society for Prevention of Cruelty to Animals, 60, Kunj Society, Alkapuri, Vadodara; and

2. The President, Adarsh Khastriya Yuva Mandal, Jitpura, Taluka Gogambha, District Panchmahals.

The opponents as mentioned in the complaint are:

1. Mr. V. K. Jain, Managing Director, Gujarat Fluorochemicals Limited; and

2. The Personnel Manager, Gujarat Fluorochemicals Limited.

GFL has replied to the said notice vide its letter dated December 13, 2004 and is awaiting further proceedings, if any, in this regard.

M7. Income tax cases

Assessment year 1996-97

A. The Joint Commissioner of Income tax, (Asstt.)/S.R.- 3, Vadodara has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad relating to assessment year 1996-97 bearing the title **"Joint Commissioner of Income tax, (Asstt.)/S.R.- 3 Versus Gujarat Fluorochemicals Limited"**. This appeal has been filed against the order of the Commissioner of Income Tax (Appeals) dated December 7, 1999 insofar as the said order directs not to grant depreciation of Rs. 27,519,160/- (Rupees Twenty Seven Million Five Hundred Nineteen Thousand One Hundred Sixty) to GFL while computing the income from business. The appeal is currently pending before the Income Tax Appellate Tribunal, Ahemdabad.

B. The Joint Commissioner of Income tax, (Asstt.)/S.R.- 3, Vadodara has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad relating to assessment year 1997-98 bearing the title **"Joint Commissioner of Income tax, (Asstt.)/S.R.- 3 Versus Gujarat Fluorochemicals Limited"**. This appeal has been filed against the order of the Commissioner of Income Tax (Appeals) dated October 11, 2000 insofar as the said order:

a) directs the assessing officer to withdraw depreciation of Rs. 43,725,002/- (Rupees Forty Three Million Seven Hundred Twenty Five Thousand Two) allowed by the assessing officer in the assessment, although the same was not claimed by GFL;
b) directs the assessing officer to exclude sales tax and excise duty from the total turnover for purpose of computation of deduction under section 80HHC of the Income Tax Act;
c) deletion of the addition of Rs. 1,458,240/- (Rupees One Million Four Hundred Fifty Eight Thousand Two Hundred Forty) made by the assessing officer on account of inclusion of excise duty in valuation of closing stock of finished goods.

The appeal is currently pending before the Income Tax Appellate Tribunal, Ahemdabad. Financial implication on GFL in case of a negative outcome is estimated at Rs. 1,019,150/- (Rupees One Million Nineteen Thousand One Fifty)

M8. Contingent liabilities of GFL not provided for as on March 31, 2005:

S. No.	Particulars	Amount (Rs. Million)
1.	Sales Tax	0.844 (Previous year 3.894)
2.	Income Tax	82.866 (Previous Year 2.160)
3.	Bills Discounted	16.188(Previous Year 0.1)
4.	Claims against the company not acknowledged as debts	0.1 (Previous Year 30.477)
5.	Claims in respct of labour matters	Amount not ascertainable

PART 4 – PAST CASES IN WHICH PENALTIES IMPOSED

N. Past cases in which penalties imposed on our Company

The past cases in which penalties have been imposed on our Company in the last five years are as follows:

S. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/payable and reasons therefor)

	(Rs.)		
1.	19,365	Penalty imposed during 2003-2004 in relation to use of land at our Vadodara Multiplex. Penalty imposed for non-compliance of requirement of the order permitting us to use land for industrial use.	Paid
2.	2,000	Late submission of service tax returns at our Pune Multiplex	Paid
3.	10,000	Compounding fees paid by us under section 65(1) of the Standards of Weights and Measures (Enforcement) Act, 1985 for compounding of offence(s) under the Standards of Weights and Measures Act, 1976 and the rules made thereunder at our Elgin Road, Kolkata Multiplex.	Paid

Litigations relating to Promoter Group companies, being ILFL and IGSL:

ILFL:

NIL

IGSL:

NIL

Dues in respect of IGSL's preference shares:

IGSL had issued 9% 1,883,000 Cumulative Redeemable Preference Shares of Rs. 100/- each ("**Preference Shares**") to GFL, our Promoter, on the following dates:

1. 1,612,000 Preference Shares were issued and allotted on March 27, 2002;
2. 71,000 Preference Shares were issued on August 31, 2002;
3. 200,000 Preference Shares were issued on October 12, 2002.

The said Preference Shares, which were redeemable on or before 36 months from the date of allotment, were extended for a further period of 36 months with a call/put option any time after 3 months.

The coupon rate on the Preference Shares was reduced from 9% to 5% with effect from April 1, 2004. There has been a delay in payment of dividend on the above Preference Shares. The amount due as dividend on these Preference Shares as on March 31, 2005 is Rs. 50,811,499 (Rupees Fifty Million Eight Hundred Eleven Thousand Four Hundred Ninety Nine) for which, in absence of distributable profits, no provision has been made in IGSL's accounts.

Contingent liabilities of IGSL as on March 31, 2005 are as follows:

a) Guarantees issued to various authorities amounting to Rs 1,245,000 (Previous Year : 1,245,000)

   (fully backed by Bank Fixed Deposits)

b) Guarantee Bonds given to Custom & Excise Authorities amounting to Rs 22,900,000 (Previous Year : Rs. 22,900,000)

O. Past cases in which penalties imposed on our Directors

There are no past cases in which any penalties have been imposed on our Directors in the last five years.

P. Past cases in which penalties imposed on our Promoter, Promoter Group Companies, etc.

Past cases in which penalties have been imposed on our Promoter, being GFL, are as follows:

S.No.	Financial year	Amount of penalty imposed (Rs.)	Brief particulars regarding penalty	Remarks (paid/payable)
1.	2000-2001	3,800/-	Sales Tax Rs. 800/- & Water wastages Rs. 3000/-	Paid
2.	2003-2004	1,500/-	Sales Tax	Paid
3.	2004-2005	146,176/-	On custom duty payable on non-fulfillment of export obligation	Paid

In addition to the aforesaid, GFL has paid the following amounts of interest under Sections 234B and 234C of the Income Tax Act in the last five years (including those subject to litigation) pursuant to orders of income-tax authorities/self-assessment:

Assessment year	Int. u/s. 234B	Int. u/s. 234C	Total
2005-06	601,308	313,917	915,225
2002-03	21,408,711	6,829	21,415,540
2000-01	Nil	776,521	776,521

There are no past cases in which penalties have been imposed on ILFL and on IGSL, our Promoter Group companies, in the last five years.

PART 5 – INDUSTRY LITIGATIONS

Q. Litigations in Gujarat

Q1. Our Vadodara Multiplex is availing of exemption from entertainment tax chargeable under the Gujarat Entertainments Tax Act, 1977 by virtue of the New Package Scheme of Incentives for Tourism Projects 1995-2000 introduced by the Information, Broadcasting & Tourism Department, Government of Gujarat, Gandhinagar (the "**Said Policy**") which grants 100% exemption from entertainment tax to entertainment complexes (which is defined to include a Multiplex cinema complex).

Two writ petitions have been filed in the Gujarat High Court, challenging the constitutionality, legality and validity of the Said Policy/provisions of the Said Policy in so far as they relate to entertainment complexes (which covers Multiplexes), on various grounds, including (but not limited to) alleged discrimination against existing theatres, extension of benefits of the Said Policy from rural to urban areas defeating the object of the Said Policy, objection to establishment of Multiplexes being treated as tourism projects, etc.

One writ petition, being Special Civil Application No. 8438 of 2000 bearing the title **Ahmedabad Cine Exhibitors Association Versus The Secretary, Ministry of Tourism, Government of Gujarat and Ors.,** has been filed challenging the constitutionality, legality and validity of the Said Policy, and demanding that the State of Gujarat recover the benefits provided to theatre owners under the Said Policy.

The second writ petition, being Special Civil Application No. 3343 of 2001, bearing the title **President, Baroda Cinema Exhibitors Association Versus Managing Director, Gujarat Tourism Development Corporation and Ors.**, has been filed challenging the constitutionality, legality and validity of the Said Policy, insofar as it relates to entertainment complexes (which includes Multiplexes) , and demanding that the State of Gujarat recover the benefits provided to theatre owners under the Said Policy. Further subject to the order of the concerned Courts, we may be directed to pay to the concerned state government the amount of entertainment tax exemption availed by us pursuant to the Said Amendments/Said Policy.

R. Litigations in Maharashtra

R1. Our Mumbai Multiplex currently enjoys the benefit of entertainment tax exemption pursuant to sections 2(f-a) read with sections 3(13) of the Bombay Entertainments Duty Act, 1923 ("**Bombay Entertainments Act**") . The said provisions were introduced *vide* the Bombay Entertainments Duty (Amendment) Ordinance, 2001 dated August 17, 2001, granting exemptions for specified periods from payment of entertainment duty for a "Multiplex Theatre Complex"(as defined therein), subject to following certain conditions (the "**Ordinance**"). The aforesaid provisions of the Ordinance were subsequently incorporated into the Bombay Entertainments Act *vide* the Bombay Entertainment Duty (Amendment) Act, 2002. Section 2(f-a) defines a "Multiplex Theatre Complex", stipulating certain conditions while section 3(13) provides the entertainment duty exemption for new Multiplexes and existing cinemas being converted into Multiplexes, and certain conditions attached to availing and continuing to avail such exemption. The Government of Maharashtra has, in exercise of the powers conferred under section 2(f-a) of the Bombay Entertainments Act, issued a notification no. ENT. 1099/C.R. 76/T-1 dated August 18, 2001 stipulating certain additional conditions to be fulfilled for a complex to qualify as a "Multiplex Theatre Complex". *Vide* Government Resolution No. ENT-1099/C.R. 76/T-1 dated September 20, 2001 certain administrative orders were issued for implementation of the aforesaid provisions, and one of the stipulations contained in this Government Resolution was that the aforesaid provisions for grant of concession would be valid for a period of one year only, that is from August 17, 2001 till August 16, 2002. Further, *vide* Government Resolution No. ENT-1099/C.R. 76/T-1 dated January 4, 2003 certain amendments were effected in Government Resolution No. ENT-1099/C.R. 76/T-1 dated September 20, 2001. The notification dated August 18, 2001 and the Government Resolutions dated September 20, 2001 and January 4, 2003 are together referred to as the "**Said Notifications**".

Three writ petitions have been filed in the Bombay High Court, challenging the constitutionality, legality and validity of some of the aforesaid amendments to the Bombay Entertainments Act and the Said Notifications, on various grounds, including (but not limited to) alleged discrimination against single screen theatres by imposing more burdensome conditions for conversion of existing theatres into Multiplexes, conditions prescribed for a complex to be recognized as a "Multiplex Theatre Complex" alleged to be irrelevant and unnecessary, and the grant of concession only for a period of one year, from August 17, 2001 to August 16, 2002.

One writ petition, being writ petition No. 1680 of 2003 bearing the title **S.P. Corporation and Anr. Versus The State Maharashtra and Ors.,** has been filed challenging the constitutionality and legality of sections 2(f-a) and 3(13)(d) of the Bombay Entertainments Act and identified clauses in some of the Said Notifications.

The second writ petition, being writ petition No. 2279 of 2003, bearing the title **Globe Theatres Private Limited and Ors. Versus The State of Maharashtra & Ors.**, has been filed challenging the constitutionality and legality of sections 2(f-a) and 3(13)(a) to 3(13)(d) of the Bombay Entertainments Act and the Said Notifications.

The third writ petition, being writ petition No. 2442 of 2003 bearing the title **M/s. Liberty Cinema and Anr. Versus State of Maharashtra and Ors.** have been filed challenging the constitutionality and legality of sections 2(f-a) and 3(13)(d) of the Bombay Entertainments Act and identified clauses in the Said Notifications.

Our Company has also joined in as a party to all these three writ petitions.

All these three writ petitions are currently pending before the Bombay High Court.

R2. A writ petition (bearing No. 1887 of 2005) has been filed in the Bombay High Court bearing the title **Chithralaya Exhibitors (India) & Ors. Versus State of Maharashtra & Ors.**

The subject of this Petition is as under:

Vide the Bombay Entertainments Duty (Amendment) Ordinance, 2001 dated August 17, 2001, the Maharashtra Government amended the provisions of the Bombay Entertainments Act to grant exemptions for specified periods from payment of entertainment duty for a "Multiplex Theatre Complex"(as defined therein), subject to following certain conditions, which *inter alia* include that the Multiplex shall not charge less payment for admission than the prevailing highest rate for admission, at any given time, in any cinema theatre in the district in which the said Multiplex is situated, till such period for which the exemption from entertainment tax is completed (the "**Ordinance**"). The aforesaid provisions of the Ordinance were subsequently incorporated into the Bombay Entertainments Act**.** *Vide* this petition, the petitioners have, *inter alia*, alleged that:

1. Several Multiplex theatres were charging an admission fee which was lower than the prevailing highest rate for admissions in the single screen cinemas in the district in which the Multiplex is located, as stipulated by the Ordinance. Specifically, among other Multiplex theatres, our Mumbai Multiplex was alleged to be selling tickets for a price lower than as stipulated for certain shows;
2. Certain Government authorities had acted in contravention of the Ordinance by allowing Multiplex cinemas to sell tickets for a price lower than as stipulated;
3. Multiplexes generally were conducting activities in contravention of the Shops and Establishments Act by carrying on business activities beyond 1 A.M.

The Petitioners have prayed for several forms of relief, including, *inter alia,* for issue of one or more appropriate writ(s) directing the Respondents to uniformly implement the provisions of the Bombay Entertainments Act (specifically the conditions introduced through the Ordinance), for not withdrawing or waiving any of such conditions, and to ensure that all Multiplex cinemas comply with the provisions of the Shops and Establishments Act, and for withdrawal of concessions granted to Multiplex theatre complexes by the Government. The Petition is currently pending before the Bombay High Court.

MATERIAL DEVELOPMENTS

Except as stated section titled "Management Discussion and Analysis of Financial Condition and Results of the Operations (as per Indian GAAP)" beginning on page 176 of this Draft Red Herring Prospectus there are no other material developments which have occurred since the date of the last audited financial statements disclosed (i.e., September 30, 2005) in this Draft Red Herring Prospectus, the Board of Directors are not aware of any circumstances that materially or adversely affect or are likely to affect our profitability or the value of our assets or our ability to pay our liabilities within the next twelve months.

GOVERNMENT APPROVALS

Our Company has received the necessary consents, licenses, permissions and approvals from the Government/RBI and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business save and except as mentioned below.

It must be distinctly understood that, in granting these licenses, the Government/RBI and various Government agencies does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

Our Company has received the following Government approvals / licenses / permissions:

A] General

1. Certificate of incorporation issued in the name of our Company on November 9, 1999 bearing registration number 55-102338 by Registrar of Companies, NCT of Delhi and Haryana.

2. Certificate of commencement of business issued in the name of our Company on February 11, 2000 by Registrar of Companies, New Delhi.

3. Certificate of registration bearing a new number U92199GJ2004PLC44045was issued under the order of Company Law Board confirming transfer of the registered office from one state to another issued by RoC on April 27, 2004.

4. Registration certificate of establishment dated October 30, 2001 bearing registration number D-II/013726 issued by the inspector under the Bombay Shops and Establishments Act, 1948 for our Corporate office valid till December 31, 2006.

5. Tax Deduction Account Number allotted to our Company under section 203A of the IT Act is MUMI04008E.

6. PAN Card issued by the Commissioner of Income Tax (Computer Operations) stating Permanent Account Number of our Company as AAACI6063J.

7. Certificate of Importer-Exporter Code (IEC) dated May 19, 2005 issued by the Foreign Trade Development Officer stating the IEC number of our Company as 0501040935.

8. We have been allotted code number M.H./BAN/45588 by the Regional Provident Fund Commissioner, Maharashtra and Goa under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.

B] With respect to Mumbai Multiplex

9. Registration certificate of establishment dated December 29, 2004 bearing registration number A-V/000027 issued by the inspector under the Bombay Shops and Establishments Act, 1948 valid till December 31, 2005..

10. Cinema license dated October 28, 2004 renewed on January 20, 2005 bearing license number 188/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-1, valid till December 31, 2005.

11. Cinema license dated October 28, 2004 renewed on January 20, 2005 bearing license number 189/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-2, valid till December 31, 2005.

12. Cinema license dated October 28, 2004 renewed on January 20, 2005 bearing license number 190/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-3, valid till December 31, 2005.

13. Cinema license dated October 28, 2004 renewed on January 20, 2005 bearing license number 191/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-4, valid till December 31, 2005.

14. Cinema license dated October 28, 2004 renewed on January 20, 2005 bearing license b number 192/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-5, valid till December 31, 2005.

15. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated October 28, 2004 renewed on January 20, 2005 bearing license number 188/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-1 of, valid till December 31, 2005.

16. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated October 28, 2004 renewed on January 20, 2005 bearing license number 189/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-2, valid till December 31, 2005.

17. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated October 28, 2004 renewed on January 20, 2005 bearing license number 190/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-3, valid till December 31, 2005.

18. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated October 28, 2004 renewed on January 20, 2005 bearing license number 191/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-4, valid till December 31, 2005.

19. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated October 28, 2004 renewed on January 20, 2005 bearing license number 192/204, issued by the Commissioner of Police, Brihan Mumbai under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-5, valid till December 31, 2005.

20. Permission to theatre selling ticket with the use of computer under section 4(2)(B) of Bombay Entertainments Act, 1923 by Additional Collector *vide* letter dated November 4, 2004 for Screen 1, valid till December 31, 2005.

21. Permission to theatre selling ticket with the use of computer under section 4(2)(B) of Bombay Entertainments Act, 1923 by Additional Collector *vide* letter dated November 4, 2004 for Screen 2, valid till December 31, 2005.

22. Permission to theatre selling ticket with the use of computer under section 4(2)(B) of Bombay Entertainments Act, 1923 by Additional Collector *vide* letter dated November 4, 2004 for Screen 3, valid till December 31, 2005.

23. Permission to theatre selling ticket with the use of computer under section 4(2)(B) of Bombay Entertainments Act, 1923 by Additional Collector *vide* letter dated November 4, 2004 for Screen 4, valid till December 31, 2005.

24. Permission to theatre selling ticket with the use of computer issued under section 4(2)(B) of Bombay Entertainments Act, 1923 by Additional Collector *vide* letter dated November 4, 2004 for Screen 5, valid till December 31, 2005.

25. *Vide* letter dated May 25, 2005, Additional Collector, Mumbai has issued eligibility certificate for claiming entertainment tax exemption valid for a period of ten years under the Bombay Entertainments Act, 1923.

26. Premises License dated December 14, 2004 renewed on January 1, 2005 issued by the Commissioner of Police, Brihan Mumbai under Rule 109 of the Rules for Licensing and Controlling, Places of Public Amusement (other than Cinemas) and performance for Public Amusement, including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 for our Video Game parlour, valid till December 31, 2005.

27. License for Games dated December 14, 2004 renewed on January 1, 2005, issued by the Commissioner of Police, Brihan Mumbai under Rule 200 of the Rules for Licensing and Controlling, Places of Public Amusement (other than Cinemas) and performance for Public Amusement, including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 for our video game parlour, valid till December 31, 2005.

28. License for the manufacture for sale/ for sale/ for storage for sale/ for distribution of Eatables, Sweetmeats, Ice cream, Cold drinks, dated February 5, 2005 bearing number 0515872005, issued by the Medical Officer of Health, A-Ward under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 for counter number 1, valid till December 31, 2008.

29. License for the manufacture for sale/ for sale/ for storage for sale/ for distribution of Eatables, Sweetmeats, Ice cream, Cold drinks, dated February 5, 2005 bearing number 0515882005, issued by the Medical Officer of Health, A-Ward under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 for counter number 2, valid till December 31, 2008.

30. We have been allotted ESIC code number 31-58071-121 by the Regional Director, Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948.

31. Food license dated December 31, 2004 bearing number 064521 obtained from Additional Municipal Commissioner, Mumbai, valid till December 31, 2005.

32. License dated January 25, 2005 bearing license contract number GL:MUM:02162 issued by the Director, Indian Performing Right Society Limited under section 30 of the Copyright Act, 1957 as a license for the public performance of musical works, valid till October 31, 2005.

33. License dated January 25, 2005 bearing license contract number GL:MUM:02163 issued by the Director, Indian Performing Right Society Limited under section 30 of the Copyright Act, 1957 as a license for the public performance of musical works, valid till October 31, 2005.

34. We have obtained license bearing numbers 60105, 60118 and 60126 from Municipal Commissioner, Mumbai for displaying illuminated glow sign boards under section 328 and 328A of Bombay Municipal Act valid till September 4, 2006.

35. We have been allotted central sales tax registration number 400034/C/1484 by the Sales Tax Officer, Mumbai under the Central Sales Tax (Registration and Turnover) Rules, 1957.

36. We have been allotted sales tax registration number 400034/S/1773 by the Sales Tax Officer, Mumbai under the Bombay Sales Tax Rules, 1959.

37. We have been allotted service tax number AAACI6063JST005 by the Assistant Commissioner, Central Excise, Mumbai.

C] With respect to Pune Multiplex

38. Registration certificate of establishment dated September 6, 2002 bearing registration number Pune Station/ V/ 145 issued by the inspector under the Bombay Shops and Establishments Act, 1948 valid till December 31, 2006.

39. Cinema License dated May 3, 2002 bearing license number 41, issued by the Commissioner of Police, Pune under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-1, valid till December 31, 2002 and subsequently renewed till December 31, 2006.

40. Cinema License dated May 3, 2002 bearing license number 41-A, issued by the Commissioner of Police, Pune under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-2, valid till December 31, 2002 and subsequently renewed till December 31, 2006.

41. Cinema License dated May 3, 2002 bearing license number 41-B, issued by the Commissioner of Police, Pune under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-3, valid till December 31, 2002 and subsequently renewed till December 31, 2006.

42. Cinema License dated May 3, 2002 bearing license number 41-C, issued by the Commissioner of Police, Pune under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-4, valid till December 31, 2002 and subsequently renewed till December 31, 2006.

43. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated May 3, 2002 renewed on February 13, 2004 bearing license number 41, issued by the Commissioner of Police, Pune under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-1, valid till December 31, 2006.

44. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated May 3, 2002 renewed on February 13, 2004 bearing license number 41-A, issued by the Commissioner of Police, Pune under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-2, valid till December 31, 2006.

45. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated May 3, 2002 renewed on February 13, 2004 bearing license number 41-B issued by the Commissioner of Police, Pune under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-3, valid till December 31, 2006.

46. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated May 3, 2002 renewed on February 13, 2004 bearing license number 41-C issued by the Commissioner of Police, Pune under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for Screen-4, valid till December 31, 2006.

47. We have received permission to sell computerized tickets *vide* letter dated may 9, 2005 issued by Revenue and Forest department.

48. Permission to theatre selling ticket with the use of computer under section 4(2)(B) of Bombay Entertainments Act, 1923 by Additional Collector *vide* letter dated May 27, 2002 for Screen 1, valid till December 31, 2005.

49. Permission to theatre selling ticket with the use of computer under section 4(2)(B) of Bombay Entertainments Act, 1923 by Additional Collector *vide* letter dated May 27, 2002 for Screen 4, valid till December 31, 2005.

50. *Vide* letter dated June 15, 2002, District Collector, Pune has issued eligibility certificate for claiming entertainment tax exemption valid for a period of five years under the Bombay Entertainments Act, 1923.

51. Premises License dated February 13, 2004 issued by the Commissioner of Police, Pune under Rule 93 of the Rules for Licensing and Controlling, Places of Public Amusement (other than Cinemas) and performance for Public Amusement, including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 for our Video Game parlour, valid till December 31, 2005.

52. Food license dated April 29, 2002 bearing number 5402 issued by Pune Municipal Corporation valid till December 31, 2006.

53. No Objection Certificate dated May 9, 2002 bearing number BO/RO(HQ)/TB/NOC/B-1865 issued by the Regional Officer, (HQ) Maharashtra Pollution Control Board for installation of 1000 KVA D.G. Set.

54. We have been allotted central sales tax registration number 400034/C/1484 by the Sales Tax Officer, Mumbai under the Central Sales Tax (Registration and Turnover) Rules, 1957.

55. We have been allotted sales tax registration number 400034/S/1773 by the Sales Tax Officer, Mumbai under the Bombay Sales Rules, 1959.

56. We have been allotted ESIC code number R.9126 (33/34-061-121) by the Regional Director, Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948.

57. License dated August 9, 2004 bearing license contract number GL:PUN:00012 issued by the Director, Indian Performing Right Society Limited under section 30 of the Copyright Act, 1957 as a license for the public performance of musical works valid till April 30, 2006.

58. Public performance license dated August 30, 2005 issued by theChief Executive Officer, Phonographic Performance Limited for the performing all sound recordings for all four screens, valid till August 29, 2006.

59. Certificate of registration dated January 27, 2003 bearing registration number Adv/P-III/237/STC/INOX issued by the Superintendent of Service Tax Cell, Pune under Section 69 of the Finance Act, 1994 for payment of Service Tax on Advertising and Business Exhibition.

60. Certificate of registration dated March 9, 2005 bearing number PN-1261 issued by Registering Officer, Pune obtained under section 7(2) of the Contract Labour Act registering Sanjay Maintenance Services Private Limited and Technoclean (India) Private Limited as contract labourers for undertaking housekeeping serivces.

D] With respect to Kolkata Multiplexes

61. Registration certificate of establishment to operate as a cinema theatre dated November 19, 2003 bearing registration number Kol/ Bhow/P-IV/ 39 issued by the supervising inspector under the West Bengal Shops and Establishments Act, 1963.

62. Certificate of enlistment to operate as a cinema complex obtained for our Elgin Road, Kolkata Multiplex issued by the Kolkata Municipal Corporation for the year 2005-06.

63. Certificate of enrolment for payment of tax bearing number ECS-0043591 dated August 12, 2003 issued by professional tax officer under the West Bengal State Tax on Professions, Trades, Callings and Employments Act, 1979 for our Elgin Road, Kolkata Multiplex and Salt Lake, Kolkata Multiplex.

64. Cinema License dated December 29, 2004 bearing number CM/20/2003 issued by the Commissioner of Police, Calcutta under Rule 7 of the West Bengal Cinemas (Regulation of Public Exhibitions) Rules, 1956 for Screen-1 of our Elgin Road, Kolkata Multiplex valid till December 20, 2005.

65. Cinema License dated December 29, 2004 bearing number CM/20/2003 issued by the Commissioner of Police, Calcutta under Rule 7 of the West Bengal Cinemas (Regulation of Public Exhibitions) Rules, 1956 Screen-2 of our Elgin Road, Kolkata Multiplex, valid till December 20, 2005.

66. Cinema License dated December 29, 2004 bearing number CM/20/2003 issued by the Commissioner of Police, Calcutta under Rule 7 of the West Bengal Cinemas (Regulation of Public Exhibitions) Rules, 1956 for Screen-3 of our Elgin Road, Kolkata Multiplex, valid till December 20, 2005.

67. Cinema License dated December 29, 2004 bearing number CM/20/2003 issued by the Commissioner of Police, Calcutta under Rule 7 of the West Bengal Cinemas (Regulation of Public Exhibitions) Rules, 1956 for Screen-4 of our Elgin Road, Kolkata Multiplex, valid till December 20, 2005.

68. Cinema License dated February 7, 2005 bearing number 01/2004 issued by the District Magistrate under Rule 7 of the West Bengal Cinemas (Regulation of Public Exhibitions) Rules, 1956 for Screen-1 of our Salt Lake, Kolkata Multiplex, valid till February 6, 2006.

69. Cinema License dated February 7, 2005 bearing number 02/2004 issued by the District Magistrate under Rule 7 of the West Bengal Cinemas (Regulation of Public Exhibitions) Rules, 1956 for Screen-2 of our Salt Lake, Kolkata Multiplex, valid till February 6, 2006.

70. Cinema License dated February 7, 2005 bearing number 03/2004 issued by the District Magistrate under Rule 7 of the West Bengal Cinemas (Regulation of Public Exhibitions) Rules, 1956 for Screen-3 of our Salt Lake, Kolkata Multiplex valid till February 6, 2006.

71. Cinema License dated February 7, 2005 bearing number 04/2004 issued by the District Magistrate under Rule 7 of the West Bengal Cinemas (Regulation of Public Exhibitions) Rules, 1956 for Screen-4 of our Salt Lake, Kolkata Multiplex, valid till February 6, 2006.

72. *Vide* letter dated June 8, 2005 we have obtained permission for issuance of computerized cinema tickets for all 4 screens of our Salt Lake, Kolkata Multiplex.

73. *Vide* letter dated September 23, 2003 we have obtained permission for issuance of computerized cinema tickets for all 4 screens of our Elgin Road, Kolkata Multiplex.

74. Police license dated March 31, 2005 issued by the Commissioner of Police, Kolkata under section 22 of Bengal Act II of 1866 and section 39 of Bengal Act IV of 1866.

75. Certificate of Enlistment (trade license) dated November 11, 2005 bearing number 5712 under section 119 of West Bengal Municipal Act, 1993 for our Salt Lake, Kolkata Multiplex.

76. We have been allotted ESIC code number 41/28943/102 by the Director, Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948 for our Elgin Road, Kolkata Multiplex.

77. We have been allotted ESIC code number 41/28943A/102 by the Director, Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948 for our Salt Lake, Kolkata Multiplex.

78. Public performance license dated October 28, 2005 issued by Phonographic Performance Limited for the performing all sound recordings for Elgin Road, Kolkata, Multiplex valid till March 31, 2006

79. Public performance license dated October 28, 2005 issued by Phonographic Performance Limited for the performing all sound recordings for Salt Lake, Kolkata, Multiplex valid till July 23, 2006

80. Certificate of registration for payment of service tax on services of advertisement agency bearing number 89/ST/R-5/TILJALA/KOL–5/AA/03 dated October 13, 2003 issued by Central Excise Officer under section 69 of the Finance Act, 1994 for our Elgin Road, Kolkata Multiplex.

81. Certificate of registration for payment of service tax on services of advertisement agency bearing number 122/A.D.AGENCY SERVICE/LL.LTD./ST/KOL-III/DD-II/R-11/2004 dated June 11, 2004 issued by Central Excise Officer under section 69 of the Finance Act, 1994 for our Salt Lake, Kolkata Multiplex.

82. *Vide* order dated May 13, 2005 issued by the Finance Revenue department, Government of West Bengal, we have obtained exemption from entertainment tax for our Elgin Road, Kolkata Multiplex.

83. Food and health license dated November 23, 2005 bearing number 3112/BM obtained from Salt Lake, Kolkata valid till March 31, 2006.

84. We have been allotted Service tax number AAACI6063JST004 by the Assistant Commissioner, Central Excise, Tilgala Division for our Elgin Road, Kolkata Multiplex.

85. Certificate of registration dated November 17, 2005 bearing number R-047/2005/LCS issued by Registering Authority obtained under the Contract Labour Act registering M/s. Silver Streak Services as contractors for housekeeping services valid May 31, 2009 and Oxford Security Dedective Agent as contractors for security services till August 31, 2009 respectively for our Elgin Road, Kolkata Multiplex.

86. Certificate of registration dated November 17, 2005 bearing number R-047/2005/LCS issued by Registering Authority obtained under the Contract Labour Act registering M/s. Silver Streak Services as contractors for housekeeping services valid May 31, 2009 and Oxford Security Dedective Agent as contractors for security services till August 31, 2009 respectively for our Salt Lake, Kolkata Multiplex.

E] With respect to Vadodara Multiplex

87. Cinema license dated October 20, 2002 renewed on November 17, 2005 bearing license number 1/2002, issued by Additional District Magistrate under Rule 103 of the Bombay Cinema Act, 1953 for all screens valid till December 31, 2005.

88. License to Sell or Keep for Sale or Offer or Expose for Sale any Ticket of Admission, Pass or Other Evidence of the Right of Admission to a Cinema dated October 20, 2002 renewed on November 17, 2005 bearing license number 1/2002 issued by the Licensing Authority, Police Commissioner, Vadodara under Rule 110 of the Bombay Cinema Act, 1953.

89. Registration certificate of establishment dated October 29, 2002 bearing registration number E-34 renewed on December 9, 2004 issued by the inspector under the Bombay Shops and Establishments Act, 1948 valid till December 31, 2007.

90. Food license bearing number PFANo-105/13 issued by Assistant Municipal Commissioner, Vadodara Municipal Corporation, valid till March 31, 2006.

91. Provisional adhoc eligibility certificate for tax incentive dated December 10, 2002 issued by the Commissioner of Tourism, Government of Gujarat valid for a period of 10 years i.e. till October 21, 2012.

92. We have obtained entertainment tax exemption *vide* letter dated October 9, 2003 bearing number MKK/MNR/Resort/Tax Free/20/2003 issued by Entertainment Commissioner, Gujarat, valid for a period till October 21, 2012.

93. License for locating/ starting restaurant/ hotel/ eating house dated February 11, 2003 issued by the Police Commissioner, Vadodara bearing license number 589/01 of 2003 for opening Refuel and Chatpataz public restaurant, valid till December 31, 2005.

94. License dated January 24, 2005 bearing license contract number GL:MUM:00904 issued by the Director, Indian Performing Right Society Limited under section 30 of the Copyright Act, 1957 as a license for the public performance of musical works, valid till October 31, 2005

95. No Objection Certificate dated January 19, 2004 bearing number PC/NOC/VRD-2403/ /379 issued by the Senior Environmental Engineer, Gujarat Pollution Control Board for installation of 2 D.G. Sets for captive power generation (2 – 0.5 MW/hr.).

96. We have been allotted sales tax registration number 1901020671 by the Sales Tax Officer, Gujarat under the Gujarat Sales Tax Act, 1969.

97. We have been allotted central sales tax registration number GUJ 99941093 by the Sales Tax Officer, Gujarat under the Central Sales Tax (Registration and Turnover) Rules, 1957.

98. We have been allotted ESIC code number 37-38-23165-121 by the Regional Director, Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948.

99. Certificate of registration dated October 5, 2004 bearing registration number AD/D-III/V-I/189/INOX/2003 issued by the Superintendent, Central Excise and Customs, Vadodara under Section 69 of the Finance Act, 1994 for payment of Service Tax on Advertisement service and Business Exhibition service.

100. Certificate of registration dated January 24, 2003 bearing number ACL/BRD/9225 issued by Assistant Commissioner of Labour and Registering Officer, Vadodara and supplementary licenses thereto obtained under the Contract Labour Act registering Sanjay Maintenance Services Private Limited as contractors for housekeeping services till April 16, 2005 and Group 4 Security Guarding Limited as contractors for security services till February 17, 2006 respectively.

F] With respect to Goa Multiplex

101. Registration certificate of establishment dated February 3, 2005 bearing registration number T/IV/Y2K/1 issued by the inspector under the Goa, Daman and Diu Shops and Establishment Rules, 1975.

102. License for Exhibition of Films dated January 5, 2005 issued by the Additional District Magistrate, North Goa District, Panaji, Goa under the Goa, Daman & Diu Cinematograph Rules, 1965 for Screen-1, valid till December 31, 2005.

103. License for Exhibition of Films dated January 5, 2005 issued by the Additional District Magistrate, North Goa District, Panaji, Goa under the Goa, Daman & Diu Cinematograph Rules, 1965 for Screen-2, valid till December 31, 2005.

104. License for Exhibition of Films dated January 5, 2005 issued by the Additional District Magistrate, North Goa District, Panaji, Goa under the Goa, Daman & Diu Cinematograph Rules, 1965 for Screen-3, valid till December 31, 2005.

105. License for Exhibition of Films dated January 5, 2005 issued by the Additional District Magistrate, North Goa District, Panaji, Goa under the Goa, Daman & Diu Cinematograph Rules, 1965 for Screen-4, valid till December 31, 2005.

106. *Vide* letter dated November 5, 2002 we have obtained permission and license to sell computerized tickets in respect of all screens.

107. License dated April 18, 2005 bearing license number T/O/4441 granted under the Trades and Occupation Licensing Bye-Law, 1989 of Panjim Municipal Council and Goa, Daman & Diu Municipalities (Tax on advertisements other than advertisements published in Newspapers) Rules, 1971 to operate our restaurant named as "Refuel" and display the advertisement in the form of a metallic zinc board, valid up to March 31, 2006.

108. License dated April 18, 2005 bearing license number T/O/4442 granted under the Trades and Occupation Licensing Bye-Law, 1989 of Panjim Municipal Council and Goa, Daman & Diu Municipalities (Tax on advertisements other than advertisements published in Newspapers) Rules, 1971 to operate our Multiplex auditorium named as "INOX" and display the advertisement in the form of 3 glow/neon signboards, valid up to March 31, 2006.

109. Certificate of registration bearing registration number C-ENG./PANAJI(GOA)/123/04-05 dated April 22, 2004 issued by the Commissionerate of Customs and Central Excise, Goa under section 69 of the Finance Act, 1994 for payment of Service Tax on Consulting Engineers Services.

110. We have been allotted central sales tax registration number P/CST/7206 by the Sales Tax Officer, Panaji under the Central Sales Tax (Registration and Turnover) Rules, 1957.

111. We have been allotted sales tax registration number P/9700 by the Sales Tax Officer, Mumbai under the Goa Sales Tax Rules, 1964.

112. We have been allotted ESIC code number 32-P/13/11/1/85 by the Regional Director, Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948.

113. Certificate of registration dated May 23, 2005 bearing number CL/R-556 issued by Registering Officer, Goa under section 7(2) of the Contract Labour Act registering Group 4 Security Guarding Private Limited and M/s. Ecoclean System and Solution as contract labourers for undertaking security and housekeeping services respectively.

G] With respect to Bangalore Multiplex

114. Registration certificate of establishment dated August 8, 2005 bearing registration number HIKANT-8/DA-76/VASAM-4067/05-06 issued by the labour inspector under the Karnataka Shops and Commercial Establishment Rules, 1961 valid up to December 31, 2009.

115. Cinema license obtained *vide* order dated July 2, 2005 issued by the Deputy Commissioner, Bangalore under the Karnataka Cinema (Regulations) Rules, 1971.

116. Certificate dated August 4, 2005 bearing number ENT.CR.14/2005-06 issued by the Commissioner of Commercial Taxes, Karnataka under Rules 18(1) & 19 of the Karnataka Entertainments Tax Rules, 1959 for issue of computerized tickets.

117. *Vide* a letter dated September 2, 2005 we have been allotted professional tax registration number P05P4895 by Government of Karnataka.

118. Food license bearing number 364/05-06 obtained from Mahanagara Palike, Bangalore valid till March 31, 2006.

119. Certificate for exhibition of approved films dated July 18, 2005 bearing number 10459 issued by the Ministry of Information and Broadcasting for our Screen 1, valid till December 31, 2008.

120. Certificate for exhibition of approved films dated July 18, 2005 bearing number 10460 issued by the Ministry of Information and Broadcasting for our Screen 2, valid till December 31, 2008.

121. Certificate for exhibition of approved films dated July 18, 2005 bearing number 10461 issued by the Ministry of Information and Broadcasting for our Screen 3, valid till December 31, 2008.

122. Certificate for exhibition of approved films dated July 18, 2005 bearing number 10462 issued by the Ministry of Information and Broadcasting for our Screen 4, valid till December 31, 2008.

123. Certificate for exhibition of approved films dated July 18, 2005 bearing number 10463 issued by the Ministry of Information and Broadcasting for our Screen 5, valid till December 31, 2008.

124. Certificate of registration issued by the Superintendent of Service Tax, Service Tax Commissionerate, Bangalore under section 69 of the Finance Act, 1994 for payment of Service Tax on Advertising/ Mandap Keepers/ Business Auxiliary Services at our Bangalore Multiplex, with registration number (ADV)(MAK)(BAS)/AAACI6063JST007 and Service Tax code number AAACI6063JST007.

125. We have been allotted ESIC code number 53/22069/121 by the Deputy Director, Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948.

126. Certificate of registration dated November 7, 2005 bearing number ALCB4/CLA/P161/2005-06 issued by Assistant Labour Commissioner, Bangalore obtained under section 7(2) of the Contract Labour Act registering Sanjay Maintenance Services Private Limited as contract labourers for undertaking housekeeping serivces.

H] With respect to Jaipur Multiplex

127. Approval letter dated October 15, 2005 issued by the Collector and District Magistrate, Jaipur addressed to the transferor of the Jaipur Multiplex, namely Vaibhav Cine Multiplex Private Limited, giving permission for the sale of the Jaipur Multiplex pursuant to the provisions of Clause 12 of the cinema license for the Jaipur Multiplex.

128. No-objection letter dated October 15, 2005 of the Jaipur Development Authority for sale of the part of the building (containing the Jaipur Multiplex) built on leasehold premises, the lessor being the Governor of the State of Rajasthan.

I] Trademarks applications

We have applied for the following trademark registrations under the Trademark Registry, Mumbai:

1. The label, "Inox", in the name of our Company *vide* an application letters dated August 9, 2002 bearing application numbers 1126781 to 1126814 under class 1 to 34 of the Trademarks Act, 1999. Out of these, we have received certificate of registration for class 2, 9, 12, 22, 24, 25, 28, 31, 32 and 34.

2. The label, "Chatpataz", in the name of our Company *vide* an application letters dated March 20, 2003 bearing application numbers 1186582 to 1185697 under class 3, 5, 8, 9, 11, 14, 16, 18, 24, 28, 29, 30, 31, 32 and 33 of the Trademarks Act, 1999.

3. The label, "Refuel", in the name of our Company *vide* application letters dated March 20, 2003 bearing application numbers 1186598 to 11866319 under class 1 to 34 of the Trademarks Act, 1999. Out of these, we have received certificate of registration for class 25, 29, 30, and 32.

4. Register the label, "Inox O2", in the name of our Company *vide* an application letters dated January 31, 2003 bearing application numbers 1171787 to 1171791 under class 9, 16, 18, 24 and 25 of the Trademarks Act, 1999. Out of these, we have received certificate of registration for class 24 and 25.

Licenses/ approvals applied for:

Mumbai Multiplex

- *Vide* letter dated October 20, 2005 to Registering Officer we have applied for contract labour registration under Contract Labour Act.

Pune Multiplex

- *Vide* letter dated December 23, 2004 to the Commissioner of Police, Pune, we have applied for permission to theatre selling tickets with use of computer for two of our screens.

Kolkata Multiplexes

- *Vide* letter dated April 14, 2005 to the Finance department, Government of West Bengal, we have applied for benefit of availing of entertainment tax subsidy for Salt Lake, Kolkata Multiplex.

- *Vide* letter dated October 27, 2005 to Commissioner of Police, Kolkata, we have applied for food license for our Elgin Road Multiplex

- *Vide* letter dated August 30, 2005 to the Commercial Tax Officer, West Bengal, we have applied for VAT registration.

Vadodara Multiplex

- *Vide* letter dated November 8, 2003 to the Commissioner of Tourism, Government o0f Gujarat, we have applied for final eligibility certificate for claiming entertainment tax exemption.

Goa Multiplex

- *Vide* letter dated August 8, 2005 to the Directorate of Food & Drugs Administrative, Panaji, we have applied for food license.

- *Vide* letter dated October 7, 2005 to the Indian Performance Rights Society Limited, we have applied for public performance license.

Bangalore Multiplex

- *Vide* letter dated June 18, 2005 to the Commercial Tax department, Karnataka, we have applied for VAT registration.

Jaipur Multiplex

- *Vide* letter dated October 27, 2005 to the District Magistrate, Jaipur, we have applied for transfer of the cinema license dated March 27, 2002 bearing number 4/jpr/permanent cinema/2002 from Vaibhav Cine Multiplex Private Limited to our Company.

- Further, *vide* letter dated March 07, 2005 the transferor of the Jaipur Multiplex, being Vaibhav Cine Multiplex Private Limited, has applied for renewal of the said cinema license dated March 27, 2002 bearing number 4/jpr/permanent cinema/2002, for which the application for transfer to us (as aforesaid) is pending. The validity of this license expired on March 31, 2005.

Licenses/ approvals not applied for:

We have been informed by the transferor of the Jaipur Multiplex that they have not filed the application for exemption from entertainment tax. Further, we intend to make the application for exemption from entertainment tax for our Jaipur Multiplex on receipt of approval for transfer of the cinema license for the Jaipur Multiplex to our Company.

RBI Approval

We have applied for an RBI approval *vide* application letter dated November 24, 2005 for seeking permission to make an Offer for Sale to Non-Residents, FIIs, Foreign Venture Capital Investors and other permitted persons/entities, if any resident outside India other than erstwhile Overseas Corporate Bodies.

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE ISSUE

The Issue has been authorized pursuant to a resolution passed by the Board of Directors at its meeting held on October 17, 2005 and approved by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on October 28, 2005. The Board of Directors has authorized a committee of its Directors referred to as the IPO Committee to take decisions on behalf of the Board in relation to the Issue.
The Selling Shareholder *vide* its board resolution passed at its meeting held on November 21, 2005 has approved the Offer for Sale of Equity Shares through this Issue. The IPO Committee pursuant to its resolution passed at its meeting held on November 21, 2005 has approved the Issue structure and has also approved this Draft Red Herring Prospectus.

PROHIBITION BY SEBI

Our Company, our Directors, our Promoter, the Directors or the person(s) in control of our Promoter, firms and companies with which our Company's Directors are associated as directors or promoter have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

ELIGIBILITY FOR THE ISSUE

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with the eligibility criteria calculated in accordance with Restated Financial Statements as per Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI DIP Guidelines;

- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;

- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI DIP Guidelines;

- The aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (i.e. offer through the offer document + firm allotment + promoter's contribution through the offer document) is not expected to exceed five times the pre-Issue net worth of our Company as per the audited balance sheet of the last financial year and is compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines.

- There has been no change in the name of our Company in the last one year.

In addition to satisfying the conditions mentioned in Clause 2.2.1 of the SEBI DIP Guidelines; the prospective allottees will not be less than one thousand (1000) in number.)

Our net tangible assets, monetary assets, net profits (as restated) and networth (as restated) as derived from the Restated Financial Statements, as per Indian GAAP and included in this Draft Red Herring Prospectus under the section titled "Financial Statements", beginning on page 145 of this Draft Red Herring Prospectus as at September 30, 2005, and for the last five years ended March 31, is set forth below:

(Rs. In Million)

Particulars	Half Year ended September 30,2005	Year ended March 31,2005	Year ended March 31,2004	Year ended March 31,2003	Year ended March 31,2002	Year ended March 31,2001
Net tangible assets (1)	1,804.04	1,624.18	1,379.61	827.45	535.51	273.97
Monetary assets (2)	74.73	15.70	30.41	91.01	24.44	5.69
Net profit after tax, as restated	97.32	72.24	34.95	0.51	-	-
Net worth, as restated, excluding Share Application Money	652.31	554.09	479.03	441.27	339.97	247.97

(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and capital advances, pre operative expenses pending allocation and excluding revaluation reserve), Investments, current assets (excluding deferred tax assets) less current liabilities and short term liabilities (excluding deferred tax liabilities).
Inter-Corporate Deposit from Holding Company is not payable within one year and hence is considered as a long term liability.

(2) Monetary assets include cash on hand and bank balances and investments in mutual funds.

(3) As we had not commenced commercial operation upto 31st March 2002 no profit and loss account was prepared for the year ended 31st March 2001 and 31st March 2002.

Further, in accordance with Clause 2.2.2A of the SEBI DIP Guidelines, we undertake that the number of allottees, i.e., persons receiving allotment in the Issue shall be at least 1,000, otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Selling Shareholder and our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

For a complete explanation of the above figures please refer to the section entitled "Financial Statements" beginning on page 145 of this Draft Red Herring Prospectus.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE

CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 24, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITTERS TO FULFIL THEIR UNDERWRITING COMMITTMENTS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI, MAHARASHTRA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

DISCLAIMER CLAUSE FROM OUR COMPANY, THE SELLING SHAREHOLDER AND THE BRLM

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

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM, the Selling Shareholder and us dated [•], 2005 and the Underwriting Agreement to be entered into between the Underwriters, the Selling Shareholder and us dated [•], 2005.

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

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to non-residents including NRIs and FIIs. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Vadodara, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Equity Shares have not been registered under the US Securities Act and are not being sold in the US. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "US Securities Act"), or any state securities laws in the United States and may not be offered or sold within the United States,(as defined in Regulation S under the US Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Equity Shares will be offered and sold only outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

DISCLAIMER CLAUSE OF BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given *vide* its letter dated [•], 2005, permission to this Company to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or

- warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

DISCLAIMER CLAUSE OF NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given *vide* its letter dated [•], 2005, permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to the paid-up capital and market capitalization (i.e. the paid up capital shall not be less than Rs. 100 million and market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

FILING

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, ROC Bhavan, Opp. Rupal Park, Near Ankur Bus Stand, Naranpura, Ahmedabad 380 013. A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Mittal Court, "B" Wing, First Floor, 224, Nariman Point, Mumbai 400 021.

LISTING

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

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

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

CONSENTS

Consents in writing of:(a) the Directors, our Company Secretary and Compliance Officer, the Statutory Auditors, Bankers to our Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Gujarat located at Ahmedabad, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

M/s Patankar & Associates, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

M/s. Patankar & Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

EXPERT OPINION

Except as stated in the sections titled "Objects of the Issue", "Statement of Tax Benefits" and "Financial Statements" beginning on pages 46, 57 and 145 respectively, of the Draft Red Herring Prospectus, we have not obtained any expert opinions.

EXPENSES OF THE ISSUE

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

Category	Estimated expenses (Rs. in million)
Lead management fee and underwriting commissions*	[•]
Advertising & Marketing Costs**	[•]
Printing & stationery	[•]
Others (Registrar's fees, legal fees, fees for auditors and bankers to the issue, stamp duty, initial listing fees and annual listing fees, SEBI filing fees, other statutory fees, depository fees, charges for using the book building software of the exchanges and other related expenses)**	[•]
Total	[•]

** Will be incorporated after finalisation of Issue Price*
*** Will be incorporated at the time of filing Red Herring Prspectus*

FEES PAYABLE TO THE BRLM

The total fees payable by us and the Selling Shareholder to the Book Running Lead Manager (including underwriting commission and selling commission) will be as per the engagement letter dated September 21, 2005 with Enam Financial Consultants Private Limited, a copy of which is available for inspection at our Registered Office.

FEES PAYABLE TO THE REGISTRAR TO THE ISSUE

The fees payable by us and the Selling Shareholder to the Registrar to the Issue will be as per the Memorandum of Understanding signed by our Company and the Selling Shareholder with the Registrar dated November 22, 2005 issued by our Company, a copy of which is available for inspection at our Registered Office.

Adequate funds will be provided by us to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/ speed post/ under certificate of posting.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and brokerage for the Issue is set out in the Underwriting Agreement and the Syndicate Agreement.

PREVIOUS RIGHTS AND PUBLIC ISSUES

Our Company has not made any previous rights and public issues except as stated in the section titled "Capital Structure" beginning on page 39 of this Draft Red Herring Prospectus.

PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH

We have not issued any Equity Shares for consideration other than cash.

COMMISSION AND BROKERAGE ON PREVIOUS ISSUES

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

COMPANIES UNDER THE SAME MANAGEMENT

We do not have any other company under the same management within the meaning of erstwhile Section 370(1B) of the Companies Act except as stated below:

Except for our Promoter that is GFL, we do not have any listed companies under the same management within the meaning of Section 370(1B) of the Companies Act. GFL has not made any capital issues in the last three years.

Promise vis-à-vis performance

Issue

Our Company has not made any public issues.

Last one issue of group/associate companies:

None of our Promoter Group companies have made any public issues. The shares of ILFL (now delisted) were listed vide letter number List/ARR/98 dated May 26, 1998 from BSE allowing listing of ILFL equity shares pursuant to the scheme of amalgamation and reconstruction as sanctioned by the Bombay High Court (as referred to the section titled "Our Promoter" beginning on page 137 of the Draft Red Herring Prospectus) and BSE vide the said letter has allowed ILFL relaxation of rule 19(2)(b)/ 19(7) of SCRA.

Outstanding debentures, bonds, redeemable preference shares and other instruments issued by our Company

Our Company has no outstanding debentures, bonds or redeemable preference shares.

However, we have recently established an ESOP Scheme. No options have been granted to any employee under the ESOP Scheme as on the date of filing of this Draft Red Herring Prospectus with SEBI, and therefore no such options are outstanding. For details on the ESOS, please seethe section titled "Capital Structure" beginning on page 39 of this Draft Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue and us and the Selling Shareholder will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have constituted a Shareholders/Investors Grievance and Share Transfer Committee. For details, please refer section titled "Our Management" beginning on page 126 of this Draft Red Herring Prospectus. We have also appointed Mr. Rajesh Parte as the Compliance Officer for this Issue. Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems, such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary accounts or refund orders etc. The contact details of the Compliance Officer are as follows:

21-A, Film Center,
2nd Floor,
68, Tardeo Road,
Mumbai – 400034.

Phone: +91 22 5662 7051
Fax: +91 22 5662 7051
Email: investors@inox.co.in

Change in Statutory Auditors

There is no change in our Statutory Auditor in last three years.

Capitalization of Reserves or Profits

Our Company has not capitalized its reserves or profits since inception.

Revaluation of Assets

We have not revalued our assets since inception.

SECTION VIII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Draft Red Herring Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Registrar of Companies, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

AUTHORITY FOR THE ISSUE

The Board of Directors has pursuant to a resolution dated October 17, 2005 authorized the Issue. The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on October 28, 2005. The Selling Shareholder *vide* its board resolution passed at its meeting held on November 21, 2005 has approved the Offer for Sale of Equity Shares through this Issue. The IPO Committee pursuant to its resolution passed at its meeting held on November 21, 2005 has approved the Issue structure and has also approved this Draft Red Herring Prospectus.

We have applied for an RBI approval *vide* application letter dated November 24, 2005 for seeking permission to make an Offer for Sale to Non-Residents, FIIs, Foreign Venture Capital Investors and other permitted persons/entities, if any resident outside India other than erstwhile Overseas Corporate Bodies.

RANKING OF EQUITY SHARES

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari-passu with the existing Equity Shares of our company including rights in respect of dividend. The person in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of allotment.

MODE OF PAYMENT OF DIVIDEND

Payment of dividend by our Company, if recommended by our Board and declared at our general meeting, would be in any of the modes specified or permitted by the Act from time to time.

FACE VALUE AND ISSUE PRICE

The face value of our Equity Shares is Rs. 10/- each are being offered as part of the Issue at a total price of Rs. [•] per share. At any given point of time there shall be only one denomination for the Equity Shares.

RIGHTS OF THE EQUITY SHAREHOLDER

Subject to applicable laws, the equity shareholders shall have the following rights:

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

and the terms of the listing agreements with the Stock Exchanges and
- Such other rights as may be available to our shareholders under our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Description of Equity Shares and Main Provisions of our Articles of Association" beginning on page 261 of this Draft Red Herring Prospectus.

MARKET LOT

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per existing SEBI DIP Guidelines, the trading of our Equity Shares shall only be in dematerialised form.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of [•] Equity Shares.

JURISDICTION

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Vadodara, India.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:
- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

MINIMUM SUBSCRIPTION

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale. In case of under subscription in the issue, the Equity Shares in the fresh issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

Since the market lot for our Equity Shares will be one, no arrangements for disposal of odd lots is required.

RESTRICTIONS ON TRANSFER OF SHARES AND ALTERATION OF CAPITAL STRUCTURE

The restrictions, if any, on the transfer of our Equity Shares are contained in the section titled "**Description of Equity Shares and terms of the Articles of Association**" beginning on page 261 of this Draft Red Herring Prospectus.

We presently do not intend or propose to alter our capital structure for six months from the date of 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 for Equity Shares) whether preferential or otherwise, except that we may enter into acquisitions or joint ventures or may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, including upto 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. It may be noted that the bids received in the Employee Reservation Portion shall not be considered for the purpose of determining the Issue Price through Book Building Process.

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

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

BID CUM APPLICATION FORM

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

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

Category	**Colour of Bid cum Application Form**
Indian public, NRIs applying on a non-repatriation basis	White
Non-Residents, NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
Employees	Pink

WHO CAN BID

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);

- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;

- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;
- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

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

APPLICATION BY MUTUAL FUNDS

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

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

APPLICATION BY NRIs

Bid cum Application Forms have been made available for NRIs at the Corporate Office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai only.

APPLICATION BY FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs*:*

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 6,000,000 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

BIDS BY NRIs OR FIIs ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

- On the Bid cum Application Form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

- In a single or joint names (not more than three).

- Bids by NRIs for a Bid Amount of up to less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than or equal to Rs. 100,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 10 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000; for further details, please refer to the sub-section titled "Maximum and Minimum Bid Size" beginning on on page 237 of this Draft Red Herring Prospectus.

- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Our Company have applied for an RBI approval *vide* application letter dated November 24, 2005 for seeking permission to make an Offer for Sale to Non-Residents, FIIs, Foreign Venture Capital Investors and other permitted persons/entities, if any resident outside India other than erstwhile Overseas Corporate Bodies.

APPLICATION BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors*:*

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of the venture capital fund/ foreign venture capital investor.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

We have applied for an RBI approval *vide* application letter dated November 24, 2005 for seeking permission to make an Offer for Sale to Non-Residents, FIIs, Foreign Venture Capital Investors and other permitted persons/entities, if any resident outside India other than erstwhile Overseas Corporate Bodies

MAXIMUM AND MINIMUM BID SIZE

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

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares in multiples of [•] Equity Share such that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

(c) **For Bidders in the Employees Reservation Portion:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter. The maximum Bid in this portion cannot exceed 200,000 Equity Shares. Bidders in the Employees Reservation Portion applying for the maximum Bid in any of the Bidding options not exceeding Rs. 100,000 may bid at Cut-off.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

INFORMATION FOR THE BIDDERS

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Draft Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

METHOD AND PROCESS OF BIDDING

(a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and one regional newspaper in Gujarati. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended *vide* SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional newspaper in Gujarati and the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding working 10 days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page 238 of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Build up of the Book and Revision of Bids" beginning on page 242 of this Draft Red Herring Prospectus.

(f) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" beginning on page 240 of this Draft Red Herring Prospectus.

(i) It may be noted that the bids received in the Employee Reservation Portion shall not be considered for the purpose of determining the Issue Price through Book Building Process.

BIDS AT DIFFERENT PRICE LEVELS

(a) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share of Rs. 10 each, Rs [•] being the lower end of the Price Band and Rs. [•] being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1 (One).

(b) Our Company, in consultation with the BRLM, reserves the right to revise the Price Band, during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three working days, subject to the total Bidding Period not exceeding ten working days. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Draft Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper in Gujarati, and also by indicating the change on the websites of the BRLM, and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three working days, subject to the total Bidding Period not exceeding thirteen days.

(d) Our Company and the Selling Shareholder, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders under the Employees Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders and Bidders under the Employees Reservation Portion who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined, which will be a price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Amount based on the cap of the Price Band in the Escrow Account. In the event the Bid Amount is higher than the Allocation Amount payable by the Retail Individual Bidders and Bidders under the Employees Reservation Portion, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Bidders under the Employees Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Bidders under the Employees Reservation Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders and Bidders under the Employees Reservation Portion, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000 the Bid will be considered for allocation under the Non-Institutional portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

ESCROW MECHANISM

Our Company and the Selling Shareholder shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account are per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

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

TERMS OF PAYMENT AND PAYMENT INTO THE ESCROW COLLECTION ACCOUNTS

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the sub-section titled "Payment Instructions" beginning on page 249 of this Draft Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders and Bidders under the Employees Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 50 of this Draft Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

ELECTRONIC REGISTRATION OF BIDS

a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor (Investors should ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.)
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid Amount
- Bid cum Application Form number.
- Whether payment is made upon submission of Bid cum Application Form.
- Margin Amount; and
- Depository Participant Identification Number and Client Identification Number of the demat account of the Bidder.

e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

g) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.

h) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

BUILD UP OF THE BOOK AND REVISION OF BIDS

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(i) In case of discrepancy of data between BSE or NSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

PRICE DISCOVERY AND ALLOCATION

(a) After the Bid Closing Date /Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) Our Company together with the Selling Shareholder, in consultation with the BRLM, shall finalise the "Issue Price", the number of Equity Shares to be allotted in each category to Bidders.

(c) The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue respectively, the allocation to QIBs for up to 50% of the Net Issue and to Employees Bidding under the Employees Reservation Portion, would be on proportionate basis, in the manner specified in the SEBI Guidelines and this Draft Red Herring Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.

(e) Allocation to NRIs, FIIs, foreign venture capital funds Multilateral and Bilateral Development Financial Institutions registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by RBI while granting permission for allotment of Equity Shares to them.

(f) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) Our Company reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING

- Our Company the Selling Shareholder, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- After signing the Underwriting Agreement, our Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

FILING OF THE PROSPECTUS WITH THE ROC

We will file a copy of the Prospectus with the Registrar of Companies, Ahmedabad, Gujarat in terms of Section 56, Section 60 and Section 60B of the Companies Act.

ANNOUNCEMENT OF PRE-ISSUE ADVERTISEMENT

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on this Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at Vadodara.

ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (CAN)

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.

(b) The BRLM or members of the Syndicate would despatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the Allocation Amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would allot the Equity Shares to the allottees. Our Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

(b) In accordance with the SEBI DIP Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

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

GENERAL INSTRUCTIONS

Do’s:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) and Employee Reservation Portion Bid cum application form (pink in colour)as the case may be;

(c) Ensure that the details about Depository Participant and beneficiary account are correct as allotment of Equity Shares will be in the dematerialized form only;

(d) Investor must ensure that the name given in the Bid cum Application Form is exactly the same as the Name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;

(e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(f) Ensure that you have been given a TRS for all your Bid options;

(g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(h) Ensure that the Bid is within the Price Band;

(i) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. The copy of the PAN card or the PAN allotment letter should be submitted with the application form; and

(j) If you have mentioned "Applied For" or "Not Applicable" in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

(k) Ensure that Demographic details (as defined herein below) are updated true and correct in all respects.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid Amount to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut Off Price (for QIB Bidders, Non-Institutional Bidders) ;

(g) Do not Bid at Bid Amount exceeding Rs 100,000 (for Retail Individual Bidders);

(h) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(i) Do not submit Bid accompanied with Stockinvest.

(j) Do not submit GIR number instead of PAN as Bid is liable to be rejected on this ground.

(k) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

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

BIDS AND REVISIONS OF BIDS

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRI, FII or foreign venture capital fund registered with SEBI applying on repatriation basis).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of • Equity Shares and in multiples of • thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Bidders under the Employees Reservation Portion, the Bid must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum of 200,000 Equity Shares

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Employees in the Employees Reservation Portion

Bids under Employees Reservation Portion by employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour) form. Employees applying in the Employees Reservation Portion should mention their employee number in the Bid cum Application Form. The following may be noted in respect of Bids by Employees in the Employees Reservation Portion:

- In case of joint Bids, the sole/first Bidder should be an Employee. Only those Bids by Employees that are at or above the Issue Price would be considered for Allocation.
- Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at the Cut off Price.
- The maximum Bid in this category by any Employee cannot exceed 200,000 Equity Shares.
- Employees can Bid in the Net Issue to the public portion and such Bids shall not be treated as multiple Bids
- Employees should be physically present in India on the date of submission of the Bid-cum-Application Form.
- If the aggregate demand in this category is less than or equal to 200,000 Equity Shares at or above the Issue Price, full Allocation shall be made to the Employees to the extent of their demand. Under subscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the public, and the

undersubscription can be met with spill over from any other category at the discretion of the Company, in consulation with the BRLM.

- If the aggregate demand in this category is greater than 200,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For a description of the proportionate basis of Allocation please see the section titled "Basis of Allotment" beginning on page 255 of this Draft Red Herring Prospectus.

BIDDER'S BANK DETAILS

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.

BIDDER'S DEPOSITORY ACCOUNT DETAILS

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant'sI identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/allocation advices and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue. Hence Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder 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.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure despatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

BIDS BY NON RESIDENTS, NRIS, FIIS AND FOREIGN VENTURE CAPITAL FUNDS REGISTERED WITH SEBI ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

(a) On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

(b) In a single name or joint names (not more than three).

(c) NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of [•] thereafter that the Bid Amount exceeds Rs. 100,000.For further details, please refer to the sub-section titled 'Maximum and Minimum Bid Size' beginning on page 237 of this Draft Red Herring Prospectus. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(d) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

(e) Our Company does not require approvals from FIPB for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

(f) There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Equity Shares have not been registered under the US Securities Act and are not being sold in the US. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "US Securities Act"), or any state securities laws in the United States and may not be offered or sold within the United States,(as defined in Regulation S under the US Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Equity Shares will be offered and sold only outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

BIDS UNDER POWER OF ATTORNEY

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, and the BRLM may deem fit.

PAYMENT INSTRUCTIONS

Our Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT

1. The applicable Margin Amount for Non Institutional and Retail Individual Bidders is equal to 100% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.

2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

   In case of Resident Bidders: “Inox Leisure Limited Escrow Account-R”

   In case of Non Resident Bidders: “Inox Leisure Limited Escrow Account-NR”

   In case of Employees Bidding under the Employees Reservation Portion: “Inox Leisure Limited Escrow Account-E”

   In case of refunds to Bidders: “Inox Leisure Limited Public Issue Refund Account”

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

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

6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of our Company.

7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

10. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

PAYMENT BY STOCKINVEST

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form. However, for QIB Bidders, the members of the Syndicate shall collect the Margin Amount.

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

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

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

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Employees Bidding under the Employees Reservation Portion can also Bid in the Net Issue to the Public category, and such Bids will not be considered as multiple Bids.

Our Company and the Selling Shareholder reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PERMANENT ACCOUNT NUMBER OR PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended *vide* a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER ("UIN")

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 by its circular bearing number MAPIN/Cir-13/2005.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company, in consultation with the BRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Bidders under the Employees Reservation Portion, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. Bids made under the Employees Reservation Portion by any person who is not an Employee are also liable to be rejected.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;

2. Age of First Bidder not given;
3. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. Bank account details for refund are not given;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut Off Price by Non-Institutional and QIB Bidders;
11. Bids for number of Equity Shares which are not in multiples of [•];
12. Category not ticked;
13. Multiple Bids as defined in this Draft Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and / or joint Bidders missing;
17. Bid cum Application Forms does not have the stamp of the BRLM, or Syndicate Members;
18. Bid cum Application Forms does not have Bidder's depository account details;
19. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Forms;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;
23. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations, see the details regarding the same at page 237 of this Draft Red Herring Prospectus;
24. Bids not duly signed by the sole/joint Bidders;
25. Bids accompanied with Stockinvests;
26. Bids by OCBs ; or

27. Bids by U.S. residents or U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

28. If GIR number is mentioned instead of PAN Number.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

(a) Agreement dated [•], 2005 with NSDL, our Company and the Registrar to the Issue;

(b) Agreement dated [•] 2005 with CDSL, our Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

(d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrars to the Issue.

(g) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(h) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(i) The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository account details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

Our Company shall ensure despatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. Our Company shall despatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall despatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI DIP Guidelines, our Company further undertakes that:

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- despatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- our Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not despatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI DIP Guidelines.
- Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 5,705,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 5,705,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 5,705,000 Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,445,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 2,445,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 2,445,000 Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

(i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand fom Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

(b) In the second instance allocation to all QIBs shall be determined as follows:

(i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders ona proportionate basis.

Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 8,150,000 Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

Undersubscription, if any in any category would be allowed to be met with spill over from any other category at the sole discretion of our Company and the BRLM.

D. For Employees

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the Employees will be made at the Issue Price.

- If the aggregate demand in this category is less than or equal to 200,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Employees to the extent of their demand.

- In case the aggregate demand in this category is greater than 200,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For method of proportionate basis of allocation refer below.

PROCEDURE AND TIME OF SCHEDULE FOR ALLOTMENT AND ISSUE OF CERTIFICATES

The Issue will be conducted through a "100% book building process" pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on [•] and expire on [•]. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the issue price, and, in consultation with the BRLM, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI on [•] and the Registrar of Companies on [•] and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor's demat account, subject to final approval by the Stock Exchanges.

METHOD OF PROPORTIONATE BASIS OF ALLOTMENT

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment to Retail Individual Bidders and Non-Institutional Bidders, Employees Bidding under the Employees Reservation Portion and QIB's in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than [•] Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the beneficiary account with Depositary Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall despatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder`s sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of the finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;

- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;

- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not despatched and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No.F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges and as further modified by SEBI`s clarification XXI dated October 27, 1997, with respect to the SEBI DIP Guidelines.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the Bid/Issue Closing Date.

ISSUE PROGRAM

BID/ISSUE OPENS ON:	[•], 2005
BID/ISSUE CLOSES ON:	[•], 2005

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

UNDERTAKINGS BY OUR COMPANY

Our Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously;

- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;

- that the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

- that the refund orders or allotment advice to the successful Bidders shall be despatched within specified time; and

- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

UNDERTAKINGS BY THE SELLING SHAREHOLDER

The Selling Shareholder undertakes as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time; and

- The Selling Shareholder has authorized the Company Secretary and Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;

UTILISATION OF ISSUE PROCEEDS

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act; details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;

- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;

- Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued thereunder. While the policy of the Government prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. **As per current foreign investment policies, foreign direct investment in the film sector is allowed upto 100% under the automatic route.**

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total issued share capital.

Subscription by NRIs/ FIIs
It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

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

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

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

No single FII can hold more than 10% of the post-issue paid-up capital of our Company (6,000,000 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however till date no such resolution has been recommended to our shareholders for approval.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below. Each provision hereinbelow is numbered as per the corresponding article number in the Articles of Association and capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company

The regulations contained in Table 'A' of Schedule I to the Companies Act shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of our Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of our Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, be such as are contained in these Articles.

(i) **PRELIMINARY**

Title of Article	Article Number and contents
Table "A" not to apply but company to be governed by these Articles	1. The regulations contained in Table "A" in the First Schedule of the Companies Act, 1956 shall not apply to this Company, but these Articles for the management of the Company and for the observance of the Members thereof and their representatives shall subject to any exercise of the statutory powers of the Company with reference to the repeal of, alteration of, or addition to, its regulations/Articles by Special Resolution, as prescribed by the Companies Act 1956 be such as are contained in these Articles.

(ii) Articles relating to rights of members regarding voting, dividend, lien on shares, process for modification of such rights and forfeiture of shares

VOTES OF MEMBERS

Title of Article	Article Number and contents
Member paying money in advance not to be entitled to vote in respect thereof	116. A Member paying the whole or a part of the amount remaining unpaid on any Share held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of moneys so paid by him until the same would but for such payment become presently payable.
Restriction on exercise of voting rights of Members who have not paid calls	117. No Member shall exercise any voting rights 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 exercised any right of lien.
Number of votes to which Member entitled	118. Subject to the provisions of Article 116, every Member of the Company holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person (or being a body corporate present by a representative duly authorised) have one vote and on a poll, when present in person (including a body corporate by a duly authorised representative), or by an agent duly authorised under a Power of Attorney or by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any preference shareholder is present at any meeting of the Company, (save as provided in clause (b) of sub-section (2) of Section 87) he shall have a right to vote only on

	resolutions before the Meeting which directly affect the rights attached to his preference shares. A Member is not prohibited from exercising his voting rights on the ground that he has not held his Shares or interest in the Company for any specified period preceding the date on which the vote is taken.
Votes of Members of unsound mind	119. A Member of unsound mind, or in respect of whom order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.
Votes of joint Members	120. If there be joint registered holders of any Shares, one of such persons may vote at any Meeting personally or by an agent duly authorised under a Power of Attorney or by proxy in respect of such Shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such joint holders be present at any Meeting either personally or by agent or by proxy, that one of the said persons so present whose name appears higher on the Register of Members shall alone be entitled to speak and to vote in respect of such Shares, but the other holder(s) shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the Register of Members in respect of such Shares. Several executors or administrators of a deceased Member in whose name Shares stand shall for the purpose of these Articles be deemed joint holders thereof.
Representation of body corporate	121. (a) A body corporate (whether a company within the meaning of the Act or not) may, if it is a Member or creditor of the Company (including a holder of Debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other governing body, to act as its representative at any Meeting of the Company or any class of shareholders of the Company or at any meeting of the creditors of the Company or Debenture-holders of the Company. A person authorised by resolutions aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member, shareholder, creditor or holder of Debentures of the Company. The production of a copy of the resolution referred to above certified by a Director or the Secretary of such body corporate before the commencement of the Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives' appointment and his right to vote thereat. (b) Where the President of India or the Governor of a State is a Member of the Company, the President or as the case may be the Governor may appoint such person as he thinks fit to act as his representative at any Meeting of the Company or at any meeting of any class of shareholders of the Company and such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President, or as the case may be, the Governor could exercise as a Member of the Company.
Votes in respects of deceased or	122.

insolvent Members	Any person entitled under the Transmission Article to transfer any Shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such Shares; provided that at least forty-eight hours before the time of holding the Meeting or adjourned Meeting, as the case may be, at which he proposes to vote, he shall satisfy the Directors of the right to transfer such Shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.
Voting in person or by proxy	123. Subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act.
Rights of Members to use votes differently	124. On a poll taken at a Meeting of the Company a Member entitled to more than one vote or his proxy, or other persons 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.
Proxies	125. Any Member of the Company entitled to attend and vote at a Meeting of the Company, shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS that a proxy so appointed shall not have any right what so ever to speak at the meeting. Every notice convening a Meeting of the Company shall state that a Member entitled to attend and.vote is entitled to appoint one or more proxies to attend and vote instead of himself, and that a proxy need not be a Mamber of the Company.
Proxy either for specified meeting or for a period	126. An instrument of proxy may appoint a proxy either for the purposes of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint a proxy for the purpose of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.
No proxy to vote on a show of hands	127. No proxy shall be entitled to vote by a show of hands.
Instrument of proxy when to be deposited	128. The instrument appointing a proxy and the Power of Attorney or 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 at least forty-eight hours before the time for holding the Meeting at which the person named in the instrument purposes to vote and in default the instrument of proxy shall not be treated as valid.
Form of Proxy	129. Every instrument of proxy whether for a specified Meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by any officer or attorney duly authorised by it.

Validity of votes given gy proxy notwithstanding revocation of authority	130. A 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 revocation of the proxy or of any Power of Attorney under which such proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Company at the Registered Office before the commencement of the Meeting or adjourned Meeting at which the proxy is used provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and of the same not having been revoked.
Time for objection to vote	131. No objection shall be made to the qualification of any voter or to the validity of a vote except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such Meeting, shall be valid for all proposes and such objection made in due time shall be referred to the Chairman of the Meeting.
Chairman of any meeting to be the judge of Validity of any value	132. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.
Custody of instrument	133. If any such instrument of appointment is confined to the object of appointing at attorney or proxy for voting at Meetings of the Company, it shall remain permanently or for such time as the Directors may determine, in the custody of the Company. If such instrument embraces other objects, a copy thereof examined with the original shall be delivered to the Company to remain in the custody of the Company.

DIVIDENDS AND CAPITALISATION OF RESERVES

Title of Article	**Article Number and contents**
Division of profits	192. (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 and 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.
The Company at General Meeting may declare dividend	193. The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.
Divdends out of profits only	194. No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.

Interim dividend	195. The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.
Debts may be deducted	196. (a) The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists. (b) The Board of Directors may retain the dividend payable upon Shares in respect of which any person is, under the Transmission Article, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member or shall duly transfer the same.
Capital paid-up in advance as interest not to earn dividend	197. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.
Dividends in proportion to amounts paid-up	198. All dividends shall be apportioned and paid proportionately 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 provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.
No Member to receive dividend while indebted to the Company and the Company's right in respect thereof	199. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone of jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.
Effect of transfer of Shares	200. A transfer of Shares shall not pass the right to any dividend declared therein before the registration of the transfer.
Dividend to joint holders	201. 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.
Dividend how remitted	202. The dividend payable in cash may be paid by cheque or warrant sent through post directly to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.
Notice of dividend	203.

	Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Share in the manner herein provided.
Reserves	204. The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies or for any other purposes to which the profits of the Company may be properly applied and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.
Dividend to be paid within time required by law.	205. The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:- (a) where the dividend could not be paid by reason of the operation on any law; or (b) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or (c) where there is dispute regarding the right to receive the dividend; or (d) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or (e) where 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.
Unclaimed dividend	206. No unclaimed dividend shall be forfeited by the Board and the Directors shall comply with the provisions of the Act and the Rules thereunder as regards unclaimed dividends.
Set-off of calls against dividends	207. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.
Dividends in cash	208. No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.
Capitalisation	209. (1)The Company in General Meeting may, upon the recommendation of the Board, resolve: (a) That is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and (b)that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportion.

	(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards; (a) paying up any amount for the time being unpaid on any Shares held by such Members respectively, or (b) paying up in full unissued Shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst Members in the proportion aforesaid, or (c) partly in the way specified in sub clause (a) and partly in that specified in sub-clause(b) (3) A share premium account and capital redemption reserve account may, for the purpose of this Article, only be applied in the paying up of unissued Shares to be issued to Members of the Company as fully paid bonus shares.
Board to give effect	210. The Board shall give effect to the resolution passed by the Company in pursuance of above Article.

LIEN

Title of Article	**Article Number and contents**
Partial payment not to preclude forfeiture	43. Neither the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.
Company to have lien on Shares/Debentures	44. The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member whether solely or jointly with others and upon the proceeds of sale thereof, for all moneys (whether presently payable or not), called or payable at a fixed time in respect of such Shares/ Debentures and no equitable interests in any Share/ Debenture shall be created except upon the footing and condition that this Article is to have full legal effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures; PROVIDED THAT the Board of Directors may, at any time, declare any Share/ Debenture to be wholly or in part exempt from the provisions of this Article. Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares.
As to enforcing lien by sale	45. The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made:- (a) Unless a sum in respect of which the lien exists is presently payable; or

	(b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is /presently payable has been given to the registered holder for the time being of the Share or the person entitled thereto by reason of his death or insolvency. For the purpose of such sale the Board may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their members to execute a transfer there from behalf of and in the name of such Members (c) The purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity, or invalidity in the proceedings in reference to the sale.
Application of proceeds of sale	46. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and (b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

FORFEITURE OF SHARES

Title of Article	Article Number and contents
If money payable on Shares not paid notice to be given	47. If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
Sum payable on allotment to be deemed a call	48. For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.
Form of notice	49. The notice shall name a day, (not being less than fourteen days form the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited.
In default of payment Shares to be forfeited	50. If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.
Notice of forfeiture to a Member	51. When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but

	no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.
Forfeited Shares to be the property of the Company and may be sold etc.	52. Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.
Member still liable for money owning at the time of forfeiture and interest	53. Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.
Effects of forefeiture	54. The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved.
Power to annul forfeiture	55. The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.
Declaration of foreiture	56 (a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company, and that Share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share. (b) The Company may receive the consideration, if any, given for the Share on any sale, re-allotment or other disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off. (c) The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share. (d) Any such purchaser or allotee shall not (unless by express agreement) be liable to pay calls, amounts, installments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment. (e) Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale re-allotment or other disposal of the Shares.
Provisions of these Articles as to	57.

forfeiture to apply in case of nonpayment of any sum.	The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
Cancellation of shares certificates in respect of forfeited shares	58. Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto..
Evidence of forfeiture	59. The declaration as mentioned in Article 56(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.
Validity of sale	60. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
Surrender of Shares	61. The Directors may subject to the provisions of the Act, accept a surrender or any share from any Member desirous of surrendering on such terms and conditions as they think fit.

MODIFICATION OF RIGHTS

Title of Article	Article Number and contents
Modification of rights	10. Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall *mutatis mutandis* apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted. The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking *pari passu* therewith.

(iv) Other provisions of Articles of Association

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Title of Article	Article Number and contents
Share Capital	3. The authorized share capital of the Company is Rs.75,00,00,000/- (Rupees Seventy Five Crores) divided into 7,50,00,000/- (Rupees Seven Crores & Fifty Lacs) Equity Shares of Rs.10/- (Rupees ten) each. The Company may from time to time by Ordinary Resolution increase its authorised share capital by such sum and to be divided into Shares of such amount as may be specified in the resolution.
Increase of Capital by the Company how carried into effect	4. The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe 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 Meeting 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 97of the Act.
Non Voting Shares	5. The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.
Redeemable Preference Shares	6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

Reduction of capital	8. The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce (a) the share capital; (b) any capital redemption reserve account; or (c) any share premium account in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.
Purchase of own shares	8A. The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.
Sub-division consolidation and cancellation of shares	9. Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

SHARES, CERTIFICATES AND DEMATERIALISATION

Title of Article	Article Number and contents
Restriction on allotment and return of allotment	11. The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.
Shares under control of Directors	13. Subject to the provisions of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold 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 for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.
Power to offer Shares/options to acquire Shares	13A (i) Without prejudice to the generality of the powers of the Board under Article 13 or in any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified

	thereunder and any other applicable laws, rules and regulations, at any point of time, offer 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) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at 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. (ii) In addition to the powers of the Board under Article 13A(i), the Board may also allot the Shares referred to in Article 13A(i) to any trust, whose principal objects would *inter alia* include further transferring such Shares to the Company's employees [including by way of options, as referred to in Article 13A(i)] in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit. (iii) The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 13A(i) and (ii) above.
Power also to Company in General Meeting to issue Shares	15. 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 authorize Board to offer Shares/Options to employees	15A (i) Without prejudice to the generality of the powers of the General Meeting under Article 15 or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified thereunder 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 (ii) In addition to the powers contained in Article 15A(i), the General Meeting may authorise 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.
The Board may issue shares as fully paid-up	18. Subject to the provisions of the Act and these Articles, the Board may allot and issue Shares in the Capital of the Company as payment for any property purchased or acquired or for services rendered to the Company in the conduct of its business or in satisfaction of any other lawful consideration. Shares which may be so issued may be issued as fully paid-up or partly paid up Shares.

Acceptance of Shares	19. Any application signed by or on behalf of an applicant for Share(s) in the Company, followed by an allotment of any Share therein, shall be an acceptance of Share(s) within the meaning of these Articles, and every person who thus or otherwise accepts any Shares and whose name is therefore placed on the Register of Members shall for the purpose of this Article, be a Member.
Deposit and call etc., to be debt payable	20. The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription 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.
Liability of members	21. 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.
Dematerialisation Of Securities	21 (A) Definitions 21.(A) Definitions **Beneficial Owner** "Beneficial Owner" means a person whose name is recorded as such with a Depository. **SEBI** "SEBI" means the Securities and Exchange Board of India. **Bye-Laws** "Bye-Laws" mean bye-laws made by a depository under Section 26 of the Depositories Act, 1996; **Depositories Act.** "Depositories Act" means the Depositories Act, 1996 including any statutory modifications or re-enactment thereof for the time being in force; **Depository** "Depository" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992; **Record** "Record" includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the regulations made by SEBI; **Regulations** "Regulations" mean the regulations made by SEBI; **Security** "Security" means such security as may be specified by SEBI.
Dematerialisation Of Securties	21(B) Either on the Company or on the investor exercising an option to hold his Securities with a Depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

Options To Receive Security Certificates Or Hold Securities With Depository	21(C) Every person subscribing to Securities offered by the Company shall have the option to receive the Security certificates or hold Securities with a Depository. Where a person opts to hold a Security with a depository, the Company shall intimate such Depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.
Securities In Depositories To Be In Fungible Form	21 (D) All Securities held by a Depository shall be dematerialised and shall be in a fungible form; nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.
Rights Of Depositories And Beneficial Owners	21(E) (1) Notwithstanding anything to the contrary contained in the Articles, a Depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner; (2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it; (3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.
Depository To Furnish Information	21(F) Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.
Option To Opt Out In Respect Of Any Security	21(G). If a Beneficial Owner seeks to opt out of a Depository in respect of any Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.
Sections 83 and 108 Of The Act not To apply	21(H). 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.
Share certificate	22. (a)Every Member or allotee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.

	(b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of 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.
Limitation of time for issue of certificates	22A. Every Member 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 may from time to time to approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each or 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 registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case maybe. 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 shall be sufficient delivery to all such holders.
New certificate to be granted on delivery of the old certificates	24. New certificates shall not be granted under the provisions of the forgoing Article except upon delivery of the worn out or defaced or used up certificate for the purpose of cancellation and, in case of destruction or loss of certificate, upon proof of destruction or loss, and upon such terms, if any, as to evidence and indemnity and the payment of out of pocket expenses incurred by the Company in investigating evidence as the Board of Directors may think fit in the case of any certificate having been destroyed, lost or defaced beyond identification. 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.
The first name joint holder deemed sole holder	25. If any Share(s) 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 all or any other matters connected with Company except voting at Meetings and the transfer of the Shares be deemed the sole holder thereof but the joint holders of a Share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles
Company not bound to recognize any interest in shares other than of registered holder	27 (a) Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, 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.

CALLS

Title of Article	**Article Number and contents**
Directors may make calls	35 (a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution)make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call. (b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
Evidence in action by Company against share holder	41. On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.
Payment in anticipation of calls may carry interest	42. The Board of Directors may, if it thinks fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same, all or any part of the amount due upon the Shares held by him beyond the sums actually called for and upon the money so paid up in advance or so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and in respect of its Shares on account of which such advances are made, the Board of Directors may pay or allow interest at such rate not exceeding, unless the Company in General Meeting shall otherwise direct, fifteen per cent per annum as the Member paying the sum in advance and the Board of Directors agree upon. The Board of Directors may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to such Member three months' notice in writing. Money so paid in advance of the amount of calls shall not confer a right to dividend or to participate in profits .

	No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment presently payable. The provisions of this Article shall mutatis mutandis apply to the calls on Debentures of the Company.

TRANSFER AND TRANSMISSION OF SHARES

Title of Article	**Article Number and contents**
No transfers to minors etc.	62. No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.
Execution of Tranfer	65. The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.
Directors may refuse to register transfers	68. Subject to the provisions of Section 111 of the Act, Section 22A of the Securities Contract (Regulation) Act, 1956 and all other laws, rules, regulations and statutory agreements, if any, applicable to the Company or any statutory modification thereof for the time being in force, the Directors may at any time in their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of any Share and in particular may so decline in any case in which the Company has a lien upon the Shares desired to be transferred or any call or installment regarding any of them remain unpaid or if the transferee is not approved by the Directors and such refusal shall not be affected by the fact that the proposed transferee is already a Member; in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer. The registration of transfer shall be conclusive an evidence of the approval of the Directors of the transferee. Registration of a transfer shall not be refused on the grounds of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except in lien on Shares. Transfer of Shares/Debentures in whatever lot shall not be refused.
Death of one or more joint holders of Shares	69. In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him with any other person.
Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)	72. Subject to the provisions of the Act and Article 69 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have

	his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the "Transmission Clause".
Refusal to register nominee	73. Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.
No fees on transfer or transmissions	75. No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate & Letters of Administration, Certificate of Death or Marriage, Power of Attorney or other similar documents.
Company not liable for disregard of a notice prohibiting registration of transfer	77. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer 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, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to 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 to do so, though it may have been entered or referred to in some book 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.

SHARE WARRANTS

Title of Article	**Article Number and contents**
Power to issue shares warrants	78. The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Title of Article	**Article Number and contents**
Share may be converted into stock	82. The Company may, by Ordinary Resolution : (a) Convert any fully paid up Share into stock, and (b) reconvert any stock into fully paid-up Shares

BORROWING POWERS

Title of Article	Article Number and contents
Power to borrow	86. Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.
The payment or repayment of moneys borrowed	87. 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.
Terms of issue of Debentures	88. Any debenture, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on conditions 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 General Meeting, appointment of Directors and otherwise; however, Debentures with the right to conversion into or allotment of Shares shall be issued only with the consent of the Company in General Meeting by a Special Resolution.
Mortgage of uncalled Capital	89. If any uncalled capital of the Company is included in or charged by mortgage or other security, the Directors may, subject to the provisions of the Act and these Articles, make calls on the Members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security has been executed.

MEETING OF MEMBERS

Title of Article	Article Number and contents
Notice of business to be given	101. No General Meeting, Annual or Extra-Ordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices convening the Meeting.
Chairman's casting vote	112. In the case of equality of votes the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

DIRECTORS

Title of Article	Article Number and contents
Number of Directors	134. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.
Debenture Directors	136. Any Trust Deed for securing Debentures may if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of Debentures, of some person to be a Director of the Company and may empower such Trustees or holder of Debentures, from time to time, to remove and re-appoint any Director so appointed. The Director appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be agreed between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions contained herein.
Nominee Director or Corporation Director	137. (a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to Industrial Finance Corporation of India (IFCI),ICICI Ltd.(ICICI), The Industrial Development Bank of India (IDBI) or any other financing company or body out of any loans granted or to be granted by them to the Company or so long as IFCI, ICICI, IDBI or any other financing corporation or credit corporation or any other financing company or body (each of which IFCI, ICICI, IDBI or any other financing corporation or credit corporation or any other financing company or body is hereinafter in this Article referred to as "The Corporation") continue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds Shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director(s)") on the Board of the Company and to remove from such office any persons so

	appointed and to appoint any person or persons in his/ their places. (b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Directors(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company. (c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall *ipso facto* vacate such office immediately on the moneys owing by the Company to the Corporation being paid off (d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes. (e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation. (f) Provided also that in the event of the Nominee Director(s) being appointed as Wholetime Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.
Alternate Director	139. 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.
Directors may fill in vacancies	140. The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date to which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid. However, he shall then be eligible for re-election.
Additional Directors	141. The Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board ("Additional Director") so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual General Meeting and shall be eligible for election at such Meeting.
Qualification Shares	142. A Director need not hold any qualification shares.
Directors' sitting fees	143. The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.
Extra remuneration to Directors for special work	144. Subject to the provisions of Sections 198, 309, 310, 311 and 314 of the Act, if any Director, being willing shall be called upon to perform extra services (which expression shall include work done by a Director as a Member of any Committee formed by the Directors or in relation to signing share certificate) or to make special exertions in going or residing or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Director, and such remuneration may be either in addition to or in substitution for his share in the remuneration herein provided. Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either: i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or ii) by way of commission if the Company by a Special Resolution authorised such payment.

Directors and Managing Director may contract with Company	150. Subject to the provisions of the Act the Directors (including a Managing Director and Whole time Director) shall not be disqualified by reason of his or their office as such from holding office under the Company or from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or otherwise, nor shall any such contract or any contracts or arrangement entered into by or on behalf of the Company with any Director or with any company or partnership of or in which any Director shall be a member or otherwise interested be avoided nor shall any Director so contracting be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established, but it is declared that the nature of his interest shall be disclosed as provided by Section 299 of the Act and in this respect all the provisions of Section 300 and 301 of the Act shall be duly observed and complied with.
Director may be director of companies promoted by the Company	154. 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 Section 309(6) or Section 314 of the Act may be applicable.

MANAGING DIRECTOR AND MANAGER

Title of Article	Article Number and contents
Appointment and powers of Manager	173A The Board may, from time to time, appoint any Manager (under Section 2(24) of the Act) to manage the affairs of the Company. The Board may from time to time entrust to and confer upon a Manager such of the powers exercisable under these Articles by the Directors, as they 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 they think expedient.

PROCEEDINGS OF THE BOARD OF DIRECTORS

Title of Article	Article Number and contents
Powers of board meeting	179. A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act, or the Articles for the time being of the Company which are vested in or exercisable by the Board of Directors generally.
Acts of Board or committee valid notwithstanding	183. 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 one or more of such Directors or any

defect in appointment	person acting as aforesaid; or that they or any of them were disqualified or had vacated office or that the appointment of any of them is deemed to be terminated by virtue of any provision 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; provided nothing in the Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

POWERS OF THE BOARD

Title of Article	Article Number and contents
General powers of management vested in the Board of Directors	184. 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 Articles, as may be prescribed 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 of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking; (b) remit, or give time for the repayment of, any debut due by a Director, (c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition or any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time; (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; (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 is greater, provided that the Company in the General Meeting or the Board of Directors shall not contribute any amount to any political party or for any political purposes to any individual or body. (i) Provided that in respect of the matter referred to in clause (d) and clause (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) of as the case may be total amount which may be contributed to charitable or other funds in a financial year under clause (e) (ii) Provided further that the expression "temporary loans" in clause (d) above shall mean loans repayable on demand or within six months from the date of the loan such as

	short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.
Certain powers of the Board	186. Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power: (1) To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company. (2) To pay and charge to the capital account of the Company commission or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act. (3) Subject to Section 292 and 297 of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised 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 Directors may believe or may be advised to be reasonably satisfied. (4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such shares may be issued either as fully paid-up or with such amount credited as 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 and its uncalled capital or not so charged. (5) To secure the fulfillment of any contracts or engagement 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. (6) To accept from any Member, as far as may be permissible by law to a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed. (7) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, 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 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 and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon either according to Indian law or according to foreign law and either in India or abroad and to observe and perform or challenge any award made thereon. (9) To act on behalf of the Company in all matters relating to bankrupts and insolvents, winding up and liquidation of companies.

		(10) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company. (11) Subject to the provisions of Sections 291, 292, 295, 370, 372 and all other applicable provisions of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit and from time to time vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name. (12) 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 whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon. (13) 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 purpose. (14) 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 office 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 the working expenses of the Company. (15) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provisions of section 293(1)(e) of the Act to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or object 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. (16) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as Reserve Fund or any special fund to meet contingencies or to repay debentures or debenture stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part

		thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend 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 Reserve Fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of Reserve Fund or division of a Reserve Fund and with full power to employ assets 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 without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.
		(17) To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the general conferred by this sub-clause.
		(17A) To appoint or authorize appointment of officers, clerks and servants for permanent or temporary or special services as the board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require securities in such instances and of such amounts as the board may think fit and to remove or suspend any such officers, clerks and servants. Provided further that the board may delegate matters relating to allocation of duties, functions, reporting etc. of such persons to the Managing Director or Manager.
		(18) From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration or salaries or emoluments.
		(19) Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.
		(20) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or person to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the

		Board thinks fit) be made in favour of any company, or the shareholders, Directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such Powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.
	(21)	Subject to Sections 294 and 297 of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into 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.
	(22)	From time to time to make, vary and repeal by laws for the regulations of the business of the Company, its officers and servants.
	(23)	To purchase or otherwise acquire any land, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock company carrying on the business which the Company is authorized to carry on in any part of India.
	(24)	To purchase, take on lease, for any term or terms of years, or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit. And in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
	(25)	To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exported-by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.
	(26)	To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.
	(27)	To sell from time to time any articles, materials, machinery, plants, stores and other articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.
	(28)	From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.
	(29)	To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in

	or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate. (30) To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested. (31) To let, sell or otherwise dispose of subject to the provisions of Section 293 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit. (32) Generally subject to the provisions of the Act and these Articles, to delegate the powers/authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.

ACCOUNTS

Title of Article	Article Number and contents
Accounts when audited and approved to be conclusive except as to errors discovered within 3 months	218. Every account when audited and approved by a General Meeting shall be conclusive except as regards any errors discovered therein within the next three months after the approval thereof. Whenever any such error is discovered within that period, the account shall be corrected, and amendments effected by the Directors in pursuance of this Article shall be placed before the Members in General Meeting for their consideration and approval and, on such approval, shall be conclusive.

DOCUMENTS AND NOTICES

Title of Article	Article Number and contents
Members bound by documents' or notices served on or given to previous holders	220. Every person, who by operation of law, transfer or other means whatsoever, shall become entitled to any Share, shall be bound by every document or notice in respect of such Share, which prior to his name and address being entered in the Register of Members shall have been duly served on or given to the person from whom he derived, his title to such Share.

SECTION X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, Ahmedabad, Gujarat for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at 21-A, Film Center, 2nd Floor, 68, Tardeo Road, Mumbai – 400034 from 10.00 A.M to 4.00 P.M. on working days from the date of this Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Letter of appointment dated September 22, 2005 and November 22, 2005 to Enam Financial Consultants Private Limited from our Company and Selling Shareholder appointing them as the BRLM.

2. Memorandum of Understanding dated November 22, 2005 amongst our Company, Selling Shareholder and BRLM.

3. Letter of appointment dated October 28, 2005 from our Company appointing them as the Registrar to the Issue.

4. Memorandum of Understanding dated November 22, 2005 amongst our Company, Selling Shareholder and Registrar to the Issue.

5. Escrow Agreement dated [•], between our Company, Selling Shareholder the BRLM, the Escrow Banks, and the Registrar to the Issue.

6. Syndicate Agreement dated [•], between our Company, Selling Shareholder the BRLM and the other Members of the Syndicate.

7. Underwriting Agreement dated [•], between our Company, Selling Shareholder the BRLM and other the Syndicate Members.

8. Engagement Letter dated September 22, 2005 of M/s. Crawford Bayley & Co. as the Legal Advisors to our Company and the Issue/Legal Advisers to the Issue

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.

2. Shareholders' resolutions dated October 28, 2005 in relation to this Issue and other related matters.

3. Audited Financial Report for the half year ended September 30, 2005 as approved by the Board on October 28, 2005.

4. Resolutions of the IPO Committee.

5. Report of the Statutory Auditors, M/s. Patankar & Associates dated October 28, 2005 for Restated Financial Statements for half year ended September 30, 2005, years ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001 prepared as per Indian GAAP and mentioned in the Draft Red Herring Prospectus as approved by the Board of Directors on October 28, 2005.

6. Copies of annual reports of our Company for the years ended March 31, 2001, 2002, 2003, 2004 and 2005.

7. Consent of the Statutory Auditors being for inclusion of their report on accounts in the form and context in which they appear in the Draft Red Herring Prospectus.

8. Consents of Statutory Auditors, Bankers to our Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Legal counsel to our Company and Underwriters, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

9. Resolution passed at our Extraordinary General Meeting held on October 28, 2005 for appointment of Mr. Manoj Bhatia as Manager.

10. Resolution dated November 21, 2005 passed by board of directors of the Selling Shareholder approving the Offer for Sale.

11. Initial listing applications dated [•], 2005 and [•], 2005 filed with BSE and NSE respectively.

12. In-principle listing approval dated [•], 2005 and [•], 2005 from BSE and NSE respectively.

13. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated [•].

14. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated [•].

15. Due diligence certificate dated November 24, 2005 to SEBI from Enam Financial Consultants Private Limited.

16. Lifestyle Consumption report by Edelweiss Securities Private Limited – 2005.

17. SEBI observation letter No. [•] dated [•], 2005.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We the Directors of the Company hereby declare that all the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR COMPANY

Mr. Pavan Jain – Director

Mr. Vivek Jain – Director

Mr. Deepak Asher – Director

Mr. Sandeep Bedi – Director

Mr. Siddharth Jan – Director

Mr. Vimal Mittal - Director

SIGNED BY THE VICE-PRESIDENT (FINANCE)

Mr. Rajesh Jindal

SIGNED BY THE COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Rajesh Parte

SIGNED ON BEHALF OF SELLING SHAREHOLDER BY DULY CONSTITUTED POWER OF ATTORNEY

Mr. Deepak Asher

Date: Novenmber 25, 2005

Place: Mumbai