



## IFCI FACTORS LIMITED

Our Company was incorporated on December 14, 1995 in New Delhi under the Companies Act, 1956, as amended ("Companies Act"), as a public limited company under the name 'Foremost Factors Limited' with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("RoC"). Pursuant to a resolution passed by our shareholders on December 16, 2008, the name of our Company was changed to 'IFCI Factors Limited', and a fresh certificate of incorporation was issued on January 7, 2009. For more information on the change in our name and the registered and corporate Office, see "*History and Certain Corporate Matters*" on page 76.

**Registered and Corporate Office:** 9<sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019, India **Tel:** (+91 11) 4173 2000 **Fax:** (+91 11) 4652 1435

**Compliance Officer:** Vijay Dhingra, Company Secretary and Senior Manager (Legal and Secretarial) **Tel:** (+91 11) 4641 2833

**Fax:** (+91 11) 4652 1435 **E-mail:** vijaydhingra@ifcifactors.com **Website:** www.ifcifactors.com

**Promoter:** IFCI Limited ("IFCI" or "Promoter")

**INITIAL PUBLIC OFFERING OF 39,086,628 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (THE "ISSUE PRICE") AGGREGATING UP TO ₹ [●] MILLION OF IFCI FACTORS LIMITED ("IFL" OR "OUR COMPANY") (THE "ISSUE"). THE ISSUE SHALL CONSTITUTE 33% OF THE POST ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.**

**THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND ADVERTISED IN [●] EDITIONS OF [●] AND [●] EDITIONS OF [●], AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.\***

### THE FACE VALUE OF THE EQUITY SHARE IS ₹ 10 EACH.

In case of revision in the Price Band, the Bid/Issue Period will be extended for at least three additional Working Days after revision of the Price Band subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE") (together, the "Stock Exchanges"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager ("BRLM"), and at the terminals of the Syndicate and by intimation to the Self Certified Syndicate Banks ("SCSBs").

Pursuant to Rule 19(2)(b)(i) of the Securities Contracts (Regulation) Rules, 1957, as amended ("SCRR"), the Issue is being made for more than 25% of the post-Issue paid-up Equity Share capital of the Company. The Issue is being made through the Book Building Process wherein up to 50% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") (the "QIB Portion"), provided that our Company may allocate up to 30% of the QIB Portion to Anchor Investors, on a discretionary basis (the "Anchor Investor Portion"). Further, 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Retail Individual Bidders may participate in this Issue through the ASBA process by providing the details of the relevant ASBA Accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. QIBs and Non-Institutional Investors can participate in the Issue only through the ASBA process. Anchor Investors are not permitted to participate in this Issue through the ASBA process. For more information, see "*Issue Procedure*" on page 187.

### RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Issuer, there has been no formal market for the securities of the Issuer. The face value of the Equity Shares is ₹ 10 and the Floor Price and Cap Price are [●] times and [●] times the face value of the Equity Shares, respectively. The Issue Price (as determined and justified by the Company in consultation with the BRLM and as stated in "*Basis for Issue Price*" on page 34) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS

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

### IPO GRADING

The Issue has been graded by [●] as [●], indicating [●]. The IPO grade is assigned on a five-point scale from 1 to 5, with IPO grade 5/5 indicating strong fundamentals and IPO grade 1/5 indicating poor fundamentals. For more information on IPO Grading, see "*General Information*" and "*Annexure I*" on pages 9 and 249, respectively.

### ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Company and this Issue, which is material in the context of this Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

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

#### BOOK RUNNING LEAD MANAGER



#### ENAM SECURITIES PRIVATE LIMITED

801, Dalamal Towers  
Nariman Point  
Mumbai 400 021  
Tel: (+91 22) 6638 1800  
Fax: (+91 22) 2284 6824  
E-mail: ifl.ipo@enam.com  
Investor Grievance E-mail: complaints@enam.com  
Website: www.enam.com  
Contact Person: Kanika Sarawgi  
SEBI Registration No.: INM000006856

#### REGISTRAR TO THE ISSUE



#### LINK INTIME INDIA PRIVATE LIMITED

C-13, Pannalal Silk Mills Compound  
L.B.S Marg, Bhandup (West)  
Mumbai 400 078  
Tel: (+91 22) 2596 0320  
Fax: (+91 22) 2596 0329  
E-mail: ifci.ipo@linkintime.co.in  
Investor Grievance E-mail: ifci.ipo@linkintime.co.in  
Website: www.linkintime.co.in  
Contact Person: Sanjog Sud  
SEBI Registration No.: INR000004058

### BID/ISSUE PERIOD\*

**BID/ISSUE OPENS ON**

[●]

**BID/ISSUE CLOSES ON\*\***

[●]

\* The Company may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.

\*\* The Company, in consultation with the BRLM, may decide to close the Bid/Issue Period for QIBs one day prior to the Bid/Issue Closing Date.

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## SECTION I – GENERAL DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates, the following terms have the meanings given below. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

In this Draft Red Herring Prospectus, unless the context otherwise indicates, all references to “**IFL**”, “**the Company**”, “**our Company**” and “**the Issuer**” are to IFCI Factors Limited, a company incorporated in India under the Companies Act, with its registered and corporate Office at 9<sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019, India. Further, all references to the terms “**we**”, “**us**” and “**our**” are to IFCI Factors Limited.

### Company Related Terms

Term	Description
SHA	Shareholders’ agreement dated May 16, 1996 between Mohan Exports and NBOC and NCC
First Supplementary SHA	Supplementary shareholders agreement dated April 16, 1999 between Mohan Exports and NBOC
Second Supplementary SHA	Second supplementary shareholders agreement dated September 16, 2003, between Mohan Exports and IFCI Limited
Auditors	The statutory auditors of our Company, S.N. Dhawan & Co.
Board of Directors or Board	The board of directors of our Company, as described in “ <b>Our Management</b> ” on page 79
Company or IFL or Issuer	IFCI Factors Limited
Director(s)	The director(s) of our Company
ESOP Scheme	The employee stock option purchase scheme, 2011, established by our Company, as described in “ <b>Capital Structure</b> ” on page 18
Group Entities	The entities listed under “ <b>Our Promoter and Group Entities</b> ” on page 90
Office	Our registered and corporate office situated at 9 <sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019, India
PLI Scheme	Performance linked incentive scheme established by our Company
Promoter/IFCI	IFCI Limited
Promoter Group	The persons and entities constituting our promoter group pursuant to Regulation 2(1)(zb) of the SEBI ICDR Regulations

### Issue Related Terms

Term	Description
Allotted/Allotment/Allot	The issue and allotment of Equity Shares to successful Bidders pursuant to the Issue
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Allotment Advice	In relation to Bidders, the note or advice or intimation of Allotment, sent to each successful Bidder who has been or is to be Allotted the Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof
Anchor Investor	A Qualified Institutional Buyer, who applies under the Anchor Investor Portion with a minimum Bid of ₹ 100 million
Anchor Investor Bid	Bid made by the Anchor Investor
Anchor Investor Bidding Date	The date one Working Day prior to the Bid/Issue Opening Date on which Bids by Anchor Investors shall open and shall be completed
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be a price equal to or higher than the Issue Price. The Anchor Investor Issue Price will be decided by our Company in consultation with the BRLM
Anchor Investor Portion	Up to 30% of the QIB Portion, which may be allocated to Anchor Investors by the Company in consultation with the BRLM, on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price
Application Supported by Blocked Amount/ASBA	The application (whether physical or electronic) used by an ASBA Bidder to make a Bid authorizing the relevant SCSB to block the Bid Amount in the ASBA Account
ASBA Account	Account maintained with an SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder
ASBA Bid cum Application Form	The Bid cum Application Form, whether physical or electronic, used by an ASBA

Term	Description
	Bidder to make a Bid
ASBA Bidder	Any Bidder (other than Anchor Investors) who intends to Bid through the ASBA process
Bankers to the Issue or Escrow Collection Banks	The bank(s) which is/are clearing member(s) and registered with SEBI as Bankers to the Issue, with whom the Escrow Account(s) in relation to this Issue will be opened, in this case being [●]
Basis of Allotment	The basis on which the Equity Shares will be Allotted, described in “ <i>Issue Procedure</i> ” on page 187
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder (including an ASBA Bidder), or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of a Bid cum Application Form to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder (other than an ASBA Bidder) on submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares and which shall be considered as the application for the issue of Equity Shares pursuant to the terms of the Red Herring Prospectus and the Prospectus, as may be applicable, including an ASBA Bid cum Application Form
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form, including an ASBA Bidder and Anchor Investor
Bid/Issue Closing Date	Except in relation to Anchor Investors, the date after which the Syndicate and SCSBs will not accept any Bids, which shall be notified in the [●] editions of the [●] and [●] editions of the [●], at least two working days prior to the Bid/Issue Opening Date
Bid/Issue Opening Date	Except in relation to Anchor Investors, the date on which the Syndicate and SCSBs shall start accepting Bids, which shall be notified in [●] editions of the [●] and [●] editions of the [●], at least two working days prior to the Bid/Issue Opening Date
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days during which prospective Bidders (excluding Anchor Investors) can submit their Bids, including any revisions thereof
Book Building Process	The book building process as described in Schedule XI of the SEBI ICDR Regulations, in terms of which this Issue is being made
Book Running Lead Manager/BRLM	The book running lead manager to the Issue, in this case being Enam
Cap Price	The higher end of the Price Band above which the Issue Price will not be finalized and above which no Bids will be accepted, including any revisions thereof
Client ID	Client identification number of the Bidder’s beneficiary account
Controlling Branches	Such branches of the SCSBs which coordinate Bids under this Issue by the ASBA Bidders with the BRLM, the Registrar to the Issue and the Stock Exchanges, a list of which is available at <a href="http://www.sebi.gov.in/pmd/scsb.html">http://www.sebi.gov.in/pmd/scsb.html</a> or any such other website as may be prescribed by SEBI from time to time
Cut-off Price	The Issue Price, finalized by our Company in consultation with the BRLM, which shall be any price within the Price Band. Only Retail Individual Bidders, who’s Bid Amount does not exceed ₹ 200,000 are entitled to Bid at the Cut-off Price. QIBs (including Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Demographic Details	The demographic details of the Bidders such as their address, occupation and bank account details maintained with the Depository
Designated Branches	Such branches of the SCSBs as shall collect the Bid cum Application Forms used by ASBA Bidders, a list of which is available at <a href="http://www.sebi.gov.in/pmd/scsb.html">http://www.sebi.gov.in/pmd/scsb.html</a> or any such other website as may be prescribed by SEBI from time to time
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Public Issue Account and the amount blocked by the SCSBs are transferred from the relevant ASBA Accounts specified by the ASBA Bidders to the Public Issue Account, as the case may be, after the Prospectus is filed with the Registrar of Companies
Designated Stock Exchange	[●]
DP ID	Depository Participant’s Identity
Draft Red Herring Prospectus/DRHP	This draft red herring prospectus dated July 27, 2011, filed with SEBI and issued in accordance with Section 60B of the Companies Act and the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares are offered
Eligible NRI	An non-resident Indian, resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe for the Equity Shares

Term	Description
Enam	Enam Securities Private Limited
Equity Shares	The Equity Shares of our Company with a face value of ₹ 10 each
Escrow Account	Account(s) opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Retail Individual Bidders (excluding Retail Individual Bidders Bidding through the ASBA process) and Anchor Investors will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement to be entered into among our Company, the Registrar to the Issue, the BRLM, the Syndicate Member(s), the Refund Bank(s) and the Escrow Collection Bank(s) for collection of the Bid Amounts and remitting refunds, if any, of the amounts to the Retail Individual Bidders (excluding Retail Individual Bidders Bidding through the ASBA process) and Anchor Investors on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form
Floor Price	The lower end of the Price Band, and any revisions thereof, below which the Issue Price will not be finalized, below which no Bids will be accepted and which shall not be less than the face value of the Equity Shares
Gross Proceeds	Gross proceeds of the Issue
Listing Agreement	The equity listing agreements to be entered into by the Company with the Stock Exchanges
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the QIB Portion (excluding the Anchor Investor Portion) available for allocation to Mutual Funds only, on a proportionate basis
Net Proceeds	Proceeds of the Issue that will be available to our Company, which exclude the Issue-related expenses
Non-Institutional Bidders	All Bidders, including sub-accounts of FIIs registered with SEBI which are foreign corporate or foreign individuals, that are not QIBs (including Anchor Investors) or Retail Individual Bidders, who have Bid for Equity Shares for an amount exceeding ₹ 200,000
Non-Institutional Portion	The portion of the Issue, being not less than 5,862,995 Equity Shares at the Issue Price, available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000
Issue	Public issue of 39,086,628 Equity Shares for cash at a price of ₹ [●] per Equity Share, aggregating up to ₹ [●] million
Issue Agreement	The agreement entered into on July 27, 2011, among our Company and the BRLM, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price at which Equity Shares will be issued and Allotted to the Bidders (except Anchor Investors), as determined in accordance with the Book Building Process on the Pricing Date
Price Band	Price band of the Floor Price of ₹ [●] and a Cap Price of ₹ [●], including revisions thereof. The Price Band and the minimum Bid lot for the Issue will be decided by our Company in consultation with the BRLM and advertised in the [●] editions of the [●] and [●] editions of the [●], at least two Working Days prior to the Bid/Issue Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price.
Pricing Date	The date on which our Company, in consultation with the BRLM, finalizes the Issue Price
Prospectus	The Prospectus to be filed with the RoC pursuant to Section 60 of the Companies Act, containing, among other things, the Issue Price that is determined at the end of the Book Building Process on the Pricing Date, including any addenda or corrigenda thereto
Public Issue Account	The account to be opened with the Banker(s) to the Issue to receive monies from the Escrow Account(s) and the relevant ASBA Account as mentioned in the Bid cum Application Form, on the Designated Date
QIB Portion	The portion of the Issue, being up to 19,543,313 Equity Shares available for QIB allocation on a proportionate basis, including the Anchor Investor Portion
Qualified Institutional Buyers or QIBs	Public financial institutions specified in Section 4A of the Companies Act, FIIs (and their sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of ₹ 250 million, pension funds with a minimum corpus of ₹ 250 million, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23,



Term	Description
	2005 of the GoI, published in the Gazette of India, insurance funds set up and managed by the army, navy, or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India
Red Herring Prospectus or RHP	The red herring prospectus to be issued in accordance with Sections 56, 60 and 60B of the Companies Act and the SEBI ICDR Regulations, which will not have complete particulars of the price at which the Equity Shares shall be issued and which shall be filed with the RoC at least three days before the Bid/Issue Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date
Refund Account	Accounts opened with Escrow Collection Bank(s) from which refunds of the whole or part of the Bid Amount (excluding the Bid Amount specified in the Bid cum Application Form), if any, shall be made
Refund Bank(s)	Escrow Collection Bank(s) in which an account is opened and from which a refund of the whole or part of the Bid Amount, if any, shall be made, in this case being, [●]
Registrar Agreement	The agreement dated July 21, 2011 entered into between our Company and the Registrar to the Issue in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to the Issue
Registrar to the Issue	Link Intime India Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs applying through their Kartas and NRIs) who have Bid for Equity Shares for an amount less than or equal to ₹ 200,000 in any of the Bidding options in the Issue
Retail Portion	The portion of the Issue, being not less 13,680,320 Equity Shares at the Issue Price, available for allocation to Retail Individual Bidders
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)
Self Certified Syndicate Banks or SCSBs	The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994, and offer services of ASBA, including blocking of ASBA Accounts, a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.html">www.sebi.gov.in/pmd/scsb.html</a> or any such other website as may be prescribed by SEBI from time to time.
Stock Exchanges	The National Stock Exchange of India Limited and the Bombay Stock Exchange Limited
Sub- Account	Sub-accounts of FIIs registered with SEBI under the SEBI (Foreign Institutional Investor) Regulations, 1995
Syndicate Member(s)	Intermediaries registered with SEBI and permitted to carry out activities as an underwriter
Syndicate or members of the Syndicate	Collectively, the BRLM and the Syndicate Member(s)
Syndicate Agreement	The agreement to be entered into among the members of the Syndicate, our Company and the Registrar to the Issue in relation to the collection of Bids in the Issue (excluding Bids directly submitted to the SCSBs)
Syndicate ASBA Bidding Locations	Bidding centres at Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat where the members of the Syndicate shall accept Bid cum Application Forms in terms of the SEBI Circular No. CIR/CFD/DIL/1/2011 dated April 29, 2011
Transaction Registration Slip or TRS	The slip or document issued by a member of the Syndicate to a Bidder as proof of registration of the Bid
Underwriters	The members of the Syndicate, in this case being [●]
Underwriting Agreement	The agreement among our Company and the Underwriters to be entered into on or after the Pricing Date
Working Day(s)	All days except Sunday and any bank holiday (except in reference to the Bid/Issue Period and announcement of the Price Band, where a Working Day means all days other than a Saturday, Sunday or a bank holiday), on which commercial banks in Mumbai and New Delhi are open for business

### Conventional/General Terms, Abbreviations and References to Business Entities

Term	Description
1998 Prudential Norms	Non-Banking Financial Company Prudential Norms (Reserve Bank), Directions, 1998
ACIT	Assistant Commissioner of Income Tax
ACRE	Assets Care and Reconstruction Enterprise Limited
ARPL	Ambitious Realtors Private Limited
Authorised Dealer	A person or company to deal in foreign exchange by the RBI
BOAOC	Bank of America Overseas Corporation
BCIL	Biotech Consortium India Limited

Term	Description
BIFR	Board of Industrial and Financial Reconstruction
BSE	Bombay Stock Exchange Limited
CAGR	Compound Annual Growth Rate
CanBank Factors	CanBank Factors Limited
CARE	Credit Research and Analysis Limited
CIBIL	Credit Information Bureau of India Limited
CIC Act	Credit Information Companies (Regulation) Act, 2005
CIT(A)	Commissioner of Income Tax (Appeals)
Companies Act	Companies Act, 1956
Consolidated FDI Policy	Circular (D/o. I.P.P. F. No. 5(14)/2010-FC) dated March 31, 2011, effective from April 1, 2011, as issued by the Department of Industrial Policy and Promotion
CoR	Certificate of Registration for commencement of business of a non-banking financial company
CRM	Customer relationship management
Debt Recovery Act	Recovery of Debts Due to Banks and Financial Institutions Act, 1993
DIPP	Department of Industrial Policy and Promotion
DCIT	Deputy Commissioner of Income Tax
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996
Depositories Act	Depositories Act, 1996
ECB	External commercial borrowing
ECB Guidelines	RBI's Master Circular on External Commercial Borrowing and Trade Credits issued from time to time (presently, as issued by the RBI on July 1, 2011)
EDI	Entrepreneurship Development Institute of India
Factoring Bill	Regulation of Factor (Assignment of Receivables) Bill, 2011
FCI	Factors Chain International
FCNR	Foreign Currency Non Resident
FDI Route	Foreign Direct Investment Route, as stipulated under Regulation 5 (1) of the FEMA Regulations, subject to terms and conditions specified under Schedule 1 of the FEMA Regulations
FEMA	Foreign Exchange Maintenance Act, 2000
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FII(s)	Foreign Institutional Investors (as defined under FEMA (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000), registered with SEBI under applicable laws in India
Financial Year/Fiscal	Period of 12 months ended March 31 of that particular year
F.I.R.	First Information Report
GDP	Gross Domestic Product
GIR Number	General index registration number
GITCO	GITCO Limited
GoI	Government of India
HARDICON	HARDICON Limited
HIMCON	Himachal Consultancy Organization Limited
HUF	Hindu Undivided Family
IFCI Venture	IFCI Venture Capital Funds Limited
IFIN	IFCI Financial Services Limited
IFIN Commodities	IFIN Commodities Limited
IFIN Credit	IFIN Credit Limited
IIDL	IFCI Infrastructure Development Limited
ILD	Institute of Leadership Development
ITCOT	ITCOT Consultancy and Services Limited
IRDA Investment Regulations	Insurance Regulatory and Development Authority (Investment) Regulations, 2000
I&T Act	Information Technology Act, 2000
ITSL	IDBI Trusteeship Services Limited
IRDA	Insurance Regulatory and Development Authority
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
Indian GAAP	Generally Accepted Accounting Principles in India
KITCO	KITCO Limited
MCA	Ministry of Corporate Affairs, GoI
MCA Press Release	Press note dated January 22, 2010 released by the MCA in relation to adoption of IFRS in relation to financial statements of public companies in India, as described in

Term	Description
	<b>“Risk Factors”</b> on page xii
MDI	Management Development Institute
MICR	Magnetic Ink Character Recognition
MITCON	MITCON Consultancy and Engineering Services Limited
MoF	Ministry of Finance, GoI
Mohan Exports	Mohan Exports (India) Private Limited
MPCON	MPCON Limited
NBOC	NationsBank Overseas Corporation, U.S.A.
NBFC	Non-banking Financial Company
NBFC Prudential Norms	Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007
NCC	Nationsbanc Commercial Corporation, U.S.A.
N.I. Act	Negotiable Instruments Act, 1881
NITCON	North India Technical Consultancy Organization Limited
NEDFI	North Eastern Development Finance Corporation Limited
NEITCO	North Eastern Industrial & Technical Consultancy Organisation Limited
NPA	Non-performing Asset
NRE	Non-Resident External
NRNR	Non-Resident Non-Repatriable Term Deposit Account
NRO	Non-Resident Ordinary Rupee Account
NRSR	Non-Resident (Special) Rupee Account
NSE	National Stock Exchange of India Limited
NSIPL	Narayan Shriram Investments Private Limited
OCB or Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
PAN	Permanent Account Number
PFI(s)	Public financial institutions specified in Section 4A of the Companies Act
PIS Route	Portfolio Investment Scheme as stipulated under Regulation 5 (2) of the FEMA Regulations subject to terms and conditions specified under Schedule 2 of the FEMA Regulations
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
RBI Prudential Norms	Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007
Registration Act	Registration Act, 1908
RGVN	Rashtriya Gramin Vikas Nidhi
RoC or Registrar of Companies	Registrar of Companies, National Capital Territory of Delhi and Haryana
Rupee or ₹ or Rs.	Indian Rupee
SARFAESI	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SBI Factors	SBI Global Factors Limited
SHCIL	Stockholding Corporation of India Limited
SCRR	Securities Contract (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
Securities Act	U.S. Securities Act of 1933
SIDBI	Small Industries Development Bank
Takeover Regulations	Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
TFCI	Tourism Finance Corporation of India Limited
Trademarks Act	Trademarks Act, 1999
ULIPs	Unit Linked Insurance Plans
UPICO	UPICO Limited
US\$ or USD or US Dollar	United States Dollar
USA or U.S.	United States of America
U.S. GAAP	General Accepted Principles of Accounting in the United States of America



## Technical and Industry Related Terms

Term	Description
Average Cost of Funds	The ratio of financial charges to Daily Average Interest-Bearing Liabilities
Average Earnings on FIU	The ratio of interest income to the Daily Average FIU
CAR	Capital Adequacy Ratio
CRAR	Capital to Risk Assets Ratio
DAA	Document against acceptance
Daily Average FIU	The aggregate of the daily outstanding FIU for a particular fiscal divided by number of days in such fiscal year
DAP	Document against payment
Daily Average Interest-Bearing Liabilities	The aggregate of the daily outstanding interest-bearing liabilities for a particular fiscal divided by number of days in such fiscal year, our total interest-bearing liabilities being our outstanding borrowings as on a particular date
Debtor, in the context of our factoring transactions	Trade customer of our factoring client
FCI Statistics©	Factors Chain International Statistics©, Factors Chain International, www.factors-chain.com
FIU	Funds in use, meaning the total amount outstanding against invoices submitted to us for factoring and the total amount outstanding in respect of short-term corporate loans sanctioned by us. FIU will also include discount and service charges (as well as interest charge in the case of our short term corporate loans), in the event they are overdue
GNPA	Gross Non-Performing Assets
Interest Income	The aggregate of interest income on short term corporate loans and discount and service charges
Kalyanasundaram Committee Report	Report of the Study Group for Examining Introduction of Factoring Services in India
Net FIU	FIU net of provision against sub-standard assets
Net Interest Income	Interest income less the financial charges, which consist of the interest expense and other charges (including funds mobilization charges and other bank charges)
Net Interest Margin/NIM	Net Interest Income to Daily Average FIU
NNPA	GNPA net of provision against sub-standard assets
MSME(s)	Micro, Small and Medium Enterprise(s)
MMSME	Ministry of Micro, Small and Medium Enterprises, GoI
MSMED Act	The Micro, Small and Medium Enterprises Development Act, 2006
NBFC-ND-SI	Systemically important, non-deposit taking non-banking financial company
Owned Funds	Owned funds include paid-up equity share capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of assets, as reduced by accumulated loss balance, book-value of intangible assets and deferred revenue expenditure, if any
Planning Commission Report	‘A Hundred Small Steps – Report of the Committee on Financial Sector Reforms’ by the Planning Commission, GoI, 2009
SIDBI Factoring Report	Small Industries Development Bank of India Policy Paper Series, 2010 – A Study on Factoring
SMBDCI Report	Report of the Small and Medium Business Development Chamber of India on ‘Empowering SMEs for Global Competitiveness’
SME(s)	Small and medium-scale enterprise(s)
TOL/TNW Ratio	Total Outside Liabilities/Total Net Worth Ratio
Turnover	Turnover includes the total amount of invoices factored by us and the total amount disbursed by us as short term corporate loans, during the relevant fiscal period

Notwithstanding the foregoing, terms in “**Main Provisions of Articles of Association of the Company**”, “**Statement of Tax Benefits**”, “**Regulations and Policies in India**” and “**Financial Information**” on pages 226, 36, 71 and 102, respectively, shall have the meanings given to such terms in these respective sections.

## CERTAIN CONVENTIONS, USE OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

### Certain Conventions

All references in this Draft Red Herring Prospectus to “**India**” are to the Republic of India. All references in this Draft Red Herring Prospectus to the “**U.S.**”, “**U.S.A.**” or “**United States**” are to the United States of America.

### Financial Data

Unless indicated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial information for fiscal 2011, 2010, 2009, 2008 and 2007 prepared in accordance with the Generally Accepted Accounting Principles in India (“**Indian GAAP**”) and the Companies Act, and restated in accordance with the SEBI ICDR Regulations.

Our fiscal year commences on April 1 of the immediately preceding year and ends on March 31 of that year, so all references to a particular fiscal year are to the 12 month period ended March 31 of that year. 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. All decimals have been rounded off to two decimal points except for figures cited from industry sources, which present such figures with decimals rounded off to one decimal point.

There are significant differences between the Indian GAAP, the International Financial Reporting Standards (“**IFRS**”) and the Generally Accepted Accounting Principles in the United States of America (“**U.S. GAAP**”). We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. Accordingly, the degree to which the financial information prepared in accordance with Indian GAAP and restated in accordance with the SEBI ICDR Regulations, included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI ICDR Regulations on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

### Currency and Units of Presentation

All references to “**Rupees**” or “**₹**” or “**Rs.**” are to Indian Rupees, the official currency of the Republic of India. Except where specified, in this Draft Red Herring Prospectus, all figures have been expressed in “million” which means “0.10 crore”. All references to “**US\$**”, “**U.S. Dollar**”, “**USD**” or “**U.S. Dollars**” are to United States Dollars, the official currency of the United States of America. All references to “**€**” or to “**Euro**” are to Euro, the official currency of the Euro Area (the economic and monetary union of the European Union member states that have adopted the Euro as their common currency and sole legal tender).

### Industry and Market Data

Industry and Market data used throughout this Draft Red Herring Prospectus has been obtained from various government and industry publications such as the Factors Chain International Statistics©, Factors Chain International, [www.factors-chain.com](http://www.factors-chain.com) (“**FCI Statistics**©”); ‘A Hundred Small Steps – Report of the Committee on Financial Sector Reforms’ by the Planning Commission, GoI, 2009 (“**Planning Commission Report**”), the World Factoring Yearbook 2010, the report of the Small and Medium Business Development Chamber of India on ‘Empowering SMEs for Global Competitiveness’ (“**SMBDCI Report**”) and the ‘Small Industries Development Bank of India Policy Paper Series, 2010 – A Study on Factoring’ (the “**SIDBI Factoring Report**”). These publications generally state that the information contained therein has been obtained from publicly available documents from various sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe the industry and market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified by us. The data used in these sources may have been reclassified by us for the purposes of presentation. Data from these sources may also not be comparable. The extent to which the industry and market data is presented in this Draft Red Herring Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used

in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different market and industry sources.

This data has not been prepared or independently verified by us or the BRLM or any of its affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in “**Risk Factors**” on page xii. Accordingly, investment decisions should not be based solely on such information.

In accordance with the SEBI ICDR Regulations, we have included in the section titled “**Basis for the Issue Price**” on page 34 information relating to our peer group companies. Such information has been derived from publicly available sources and neither we, nor the BRLM have independently verified such information.

## Exchange Rates

The relevant exchange rates are provided below:

Currency	Exchange rate into ₹ as on March 31, 2010	Exchange rate into ₹ as on March 31, 2011
1 US\$	45.14	44.65
1 €	60.56	63.24

Source: RBI Reference Rates ([www.rbi.org.in](http://www.rbi.org.in))

## FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements which describe our strategies, objectives, plans or goals are also forward-looking statements.

These forward-looking statements are based on our current plans, estimates and expectations and actual results may differ materially from those suggested by such forward-looking statements being 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, including, but not limited to:

- a) our factoring transactions are generally not secured by collateral;
- b) in the current regulatory and operational framework in which we operate, the factoring business in India, including our transaction structure and rights and remedies available to a factor, are not specifically recognized;
- c) the effect of proposed legislation governing the factoring business in India on our business and competitive environment is presently unclear;
- d) our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds;
- e) the value of security obtained in the case of certain of our products may decline due to factors that may be beyond our control;
- f) the financial industry in India is highly competitive;
- g) we have significant borrowings and are subject to restrictive covenants under our credit facilities that may limit our flexibility in managing our business;
- h) we may be unable to continue to enjoy the benefits of our association with our Promoter to the same extent in the future, including in terms of our access to its clientele as a significant debtor base, recognition of the ‘IFCI’ brand, equity and debt funding, human resources and infrastructure support;
- i) we may be unable to effectively manage our growth or successfully implement our business plan and growth;
- j) we are unable to locate records of our periodic filings with the Reserve Bank of India (“RBI”) for the years preceding 2008;
- k) inadequate information available on our clients or their debtors, increases the risk of non-payment or default or delayed payment by debtors;
- l) we are subject to supervision and regulation by the RBI as a systemically important non deposit-taking non-banking financial company (“NBFC-ND-SI”);
- m) awareness of factoring as an effective cash management tool in the Indian market is presently low, in part due to the present market environment and regulatory framework that are more oriented towards traditional sources of working capital finance;
- n) a downgrade in our credit ratings or an inability maintain our credit ratings may increase borrowing costs and thereby restrict our access to debt;
- o) our regional concentration in, and exposure to clients in, northern India is significant and we may experience difficulties in expanding our business into new regions and markets;
- p) we may be unable to develop or implement effective risk management policies and procedures may expose us to unidentified risks or unanticipated levels of risk;
- q) we may be unable to effectively position and market our product portfolio, including our recently launched product lines;
- r) we may be unable to recruit or retain necessary management and other key personnel;
- s) there may be a failure, inadequacy or security breach in our information technology and telecommunication systems; and
- t) we may be unable to obtain required approvals or renew any pending approvals as may be required in connection with our business.

For a further discussion of factors that could cause our actual results to differ, see “**Risk Factors**” and “**Management Discussion and Analysis of Financial Condition and Results of Operations**” on pages xii and 130, respectively. 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 our Company, nor 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, our Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permissions by the Stock Exchanges for the Equity Shares Allotted pursuant to the Issue.

## SECTION II - RISK FACTORS

*An investment in equity shares involves a high degree of risk. You should consider all 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 or any of the other risks and uncertainties discussed in this Draft Red Herring Prospectus actually occur, our business, results of operation and financial condition may suffer, the trading price of our Equity Shares may decline, and you may lose all or part of your investment. These risks and uncertainties set forth herein are not exhaustive. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operation and financial condition.*

*The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are risk factors where the effect is not quantifiable and hence has not been disclosed in such risk factors. In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Issue, including the merits and risks involved.*

*Unless otherwise stated, the financial information of our Company used in this section is derived from our audited financial statements under Indian GAAP, as restated.*

### INTERNAL RISK FACTORS

***1. Our factoring transactions are generally not secured by collateral. Any delay or default by debtors may adversely affect our business, results of operation and financial condition.***

Our factoring business is a transaction-based financing product and a large majority of our products are not structured around the availability of collateral. As on March 31, 2011, our funds in use (“FIU”) from factoring, which are generally not secured by any immovable or moveable property, together accounted for 69.50% of our total FIU, and our corporate loans business accounted for 30.50% of our total FIU.

Our factoring facilities are sanctioned with recourse to the client, *i.e.*, where the client remains liable for non-payment by a debtor, and are typically backed by post-dated cheques for the amount of the sanctioned facility from the client (in some cases, also from the debtor) and personal guarantees of the promoter(s) and/or director(s) of the client. Further, in certain instances, we seek to manage our exposure to settlement risk through the creation of a designated escrow account into which the debtor remits the payment due to us, in explicit acknowledgment of the factoring arrangement. However, we may be required, in certain cases, to employ what we term as a ‘diluted’ escrow arrangement, where the debtor remits the payment into an escrow account in favor of our client, without explicitly acknowledging the factoring arrangement, and where the payment is subsequently remitted to us. There is a risk that, notwithstanding our pre-sanction appraisal procedures, in the event of a payment delay or default where we seek to enforce payment by encashing such cheques obtained by us, the banks may refuse payment, for instance, on account of insufficient funds in the client’s account or the designated escrow account. Further, we may have difficulty in enforcing payment or guarantee obligations in the event any invoices we have factored or any post-dated cheques or guarantees obtained by us are found to have been forged or signed by unauthorized persons, or due to other reasons that may be beyond our knowledge and control. We may be particularly susceptible to settlement risk in transactions where the debtor is unable or unwilling to acknowledge or be a party to the assignment of receivables to us, *i.e.*, in the case of ‘silent’ factoring, where we seek payment from our client after the payment has been made to it by the debtor.

Moreover, in the event we are required to initiate legal proceedings for the enforcement of payment or guarantee obligations, we may face difficulties in establishing our claims and the settlement of any such disputes may involve substantial delay and legal costs, and there is no assurance that any such legal proceedings will be determined in our favor.

***2. In the current regulatory and operational framework in which we operate, the factoring business in India, including our transaction structure and rights and remedies available to a factor, are not specifically recognized. An inability to establish or enforce our claims may adversely affect our business, results of operation and financial condition.***

While the financial services industry is presently regulated by the RBI under the general framework of regulations and guidelines applicable to non-banking finance corporations (“NBFCs”) (and, in the case of banking companies with which we also compete, by RBI regulations and guidelines applicable to banking



companies), there is presently no legislation in India to specifically regulate the factoring industry.

Among other disadvantages under the current regulatory framework, the applicability of high stamp duty on assignment of receivables increases our transaction cost (due to which, our factoring transactions are typically structured around the execution of an agreement to assign along with a power of attorney to exercise the assignment on maturity, instead of the execution of an actual deed of assignment at the outset). Further, there is a risk that the notice of assignment that we have entered into under any factoring transaction may not be honored by the debtor as there is presently no central database for the registration or verification of any such assignment, and because NBFCs (other than certain specified financial institutions, such as public financial institutions notified under Section 4A of the Companies Act (“**PFI**s”)) are not presently eligible to seek enforcement or relief under the Recovery of Debt Due to Banks and Financial Institutions Act, 1993 (“**Debt Recovery Act**”) and the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“**SARFAESI**”). In addition, the present regulatory framework does not accord any priority to assignment or payment claims of a factor in the event of insolvency of a client. Our competitors offering traditional sources of working capital finance may benefit from the relative ease in registration and verification of authenticity of their standard financing documentation, as compared to the standard documents involved in a factoring transaction, which are not required to be registered under Indian law presently in effect, and where it may at times therefore be difficult to ascertain the authenticity of invoices and notices of assignment that we have entered into with the client under any factoring transactions that we have entered into, or to avoid the risk of double financing especially in the case of ‘silent’ or non-disclosed factoring transactions that we may enter into. Further, with effect from December 2010, the Insurance Regulatory and Development Authority (“**IRDA**”) has prohibited credit insurance in relation to factoring products.

As a result, there may be certain protections and rights to which we do not have a recognized statutory claim (including if the notice of assignment we have entered into with the client under any factoring transaction is not honoured by the debtor and is held to be unenforceable by any judicial authority from which relief may be sought by us), or in respect of which there may be delay or difficulty in enforcement or protection on the part of a judicial or regulatory authority.

The credit information bureau does not presently report information from retailers, utility companies and trade creditors. As a result, there may be relatively less financial and credit information available on our clients, in particular on SMEs, than may have been available to a factor in a more developed economy. In addition, a nationwide credit bureau, viz., the Credit Information Bureau (India) Limited (“**CIBIL**”), has become operational in India and while the RBI has recently approved the creation of other credit information bureaus, the availability of credit information in India may be considered to suffer from an absence of competitive pressure at present.

**3. *The effect of proposed legislation governing the factoring business in India on our business and competitive environment is presently unclear. Any such legislation that may be enacted in the future, including its interpretation or implementation, may adversely affect our business, results of operation and financial condition.***

The Regulation of Factor (Assignment of Receivables) Bill, 2011 (the “**Factoring Bill**”) was recently introduced in the lower house of the Indian Parliament by the Ministry of Finance, Government of India (“**GoI**”) (“**MoF**”), and we understand that it has subsequently been referred to the Parliamentary Standing Committee of Finance for further review. While this proposed legislation is yet to be passed by the Indian Parliament and would then be required to be notified in the Indian Gazette in order to come into effect, the impact of the proposed Factoring Bill on the business and competitive environment in India is presently unclear. There is no assurance as to when such proposed legislation would be enacted or the final content or form in which such proposed legislation may ultimately be enacted and the manner in which its provisions may be interpreted or implemented.

While the objectives of the Factoring Bill are to provide for, among other things, compulsory registration by the factor of every transaction of assignment of receivables with the Central Registry set up under the SARFAESI, if we or our clients are affected, directly or indirectly, by the application or interpretation of any provision of the Factoring Bill, as and when enacted, or any adverse publicity that may be generated due to scrutiny or prosecution by any relevant authority or any claim or challenge by any third party under the Factoring Bill, as and when enacted, our business and financial performance may be adversely affected. For example, as the Factoring Bill proposes, among other things, that the notice of assignment entered into between us and our client in any factoring transaction should compulsorily be stamped and registered, it is possible that our ability to enter

into certain factoring transactions may be limited due to any reluctance or inability on the part of certain debtors to enter into such tripartite arrangements with us in this relation. Further, the proposed reform in the regulatory framework governing the factoring business in India is expected to encourage competition in the factoring business.

**4. *Our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds. An inability to do so may have an adverse effect on our business, results of operation and financial condition.***

Our average borrowing rate in fiscal 2011, 2010 and 2009 was 10.24%, 10.17% and 11.00%, respectively, and our Net Interest Margin (“NIM”), calculated as the ratio of the aggregate of our service charge, interest income and discount, less borrowing cost, to our Daily Average FIU, was 7.50%, 11.17% and 12.19% in fiscal 2011, 2010 and 2009.

Our ability to compete effectively and expand our operations is dependent on our timely access to funds and ability to maintain a low effective cost of funds in the future. We depend on funding from various sources, including shareholder funding, secured and unsecured loans, cash credit facilities from banks, our Promoter and financial institutions. The market for such funds is competitive, shaped largely by industry-wide interest rate and liquidity pressures, and there can be no assurance that we will be able to obtain funds on acceptable terms, or at all. In addition, since we are a non-deposit taking NBFC, we have restricted access to funds in comparison to banks and deposit-taking NBFCs. We are also regulated by the RBI in terms of our access to external commercial borrowing (“ECB”) (specifically, in terms of permitted end-uses, which, do not include raising foreign currency debt for the purpose of working capital and general corporate purposes, among other uses).

In addition, adverse developments in economic and financial markets or the lack of liquidity in financial markets may make it generally difficult for us to access funds at competitive rates. For example, our funding strategy was adversely affected by the global financial crisis in fiscal 2009. Through the second half of 2008, capital and lending markets remained highly volatile and access to liquidity was adversely affected, and these conditions resulted in increased borrowing costs and difficulty in accessing funds in a cost-effective manner. Our ability to raise capital also depends on our ability to maintain and upgrade our credit ratings in order to access various cost competitive funding options. In particular, the growth of our export factoring business will depend, in part, on our ability to obtain a foreign line of credit.

While we have generally been able to pass on increased cost of funds onto our clients, we may not be able to continue to do so to the same degree in the future. If we are not able to maintain a low effective cost of funds, we may not be able to implement our growth strategy, competitively price our products and, consequently, we may not be able to maintain our net interest margins, which may have an adverse effect on our profitability, business, results of operation and financial condition.

**5. *The value of security obtained in the case of certain of our products may decline due to factors that may be beyond our control, which may adversely affect our business, results of operation and financial condition.***

Our short term corporate loan portfolio and, in certain cases, other factoring products that require provision of collateral expose us to a risk of reduced asset quality. Although we endeavour to obtain adequate security or implement quasi-security arrangements such as obtaining post-dated cheques and promoter or director guarantees as well as setting up escrow arrangements for receipt of payment in connection with our financing products, our clients’ debtors and their guarantors under our standard financing transactions may default or be delayed in their payment or repayment obligations, due to various reasons including their lack of liquidity, increase in operating costs, insolvency or business failure. Besides macroeconomic conditions, we face risks specific to each product line, which may also result in increased defaults or reduced asset quality. Non-payment, delay or default by debtors may adversely affect our business, results of operation and financial condition.

Further, the value of the security or collateral obtained may decline due to a decline the market price of shares held by us as collateral or due to an imperfection in title or difficulty in locating movable assets. Although Indian legislation provides for certain rights of creditors for the effective realization of collateral in the event of default, there can be no assurance that we will be able to enforce such rights in a timely manner, or at all. There may be delays in implementing bankruptcy or foreclosure proceedings, general economic conditions adversely affecting the value of the relevant security or collateral, inadequate security documentation or imperfection in title to security or collateral, requirement of regulatory approvals for enforcement of security or collateral, or

fraudulent transfers by borrowers. In addition, in the event that any specialized regulatory agency assumes jurisdiction over a defaulting borrower, actions on behalf of creditors may be further delayed. An inability to recover the value of such security or collateral may lead to an unexpected loss that may adversely affect our business, results of operation and financial condition.

Further, any inadequacy or inaccuracy in the information available to us, on the basis of which we have sanctioned credit facilities, may adversely affect the quality of our assets and, in turn, our business, results of operation and financial condition.

***6. The financial services industry in India is highly competitive. Our factoring products are generally priced higher than traditional sources of working capital finance products. An inability to effectively position and market our products as a supplement to competing traditional sources of working capital finance may adversely affect our business, results of operation and financial condition.***

We operate in a highly competitive environment, in terms of our market penetration and service and brand visibility, as well as our access to sources of finance and human and other resources. We compete not only with other factoring companies, but also with traditional sources of working capital funding, including commercial banks and NBFCs that offer facilities such as bill discounting and cash credit lines.

Many of our competitors may have larger resources or balance sheet strength than us and may have considerable financing resources as well as enjoying the benefits of large marketing and distribution networks as well as economies of scale, including due to their relationships with large corporate groups or with the Central or State Governments or Government-owned entities, which, along with other factors, may contribute to their relatively higher credit rating. For instance, in commercial banking, the large public sector banks in India have traditionally had the largest market penetration, by reason of their large branch networks, scale of operations and most importantly, due to their access to low cost funds, and public sector NBFCs in India also benefit from economies of scale and their access to large marketing and distribution networks. In particular, we may face a competitive disadvantage compared to banking companies and deposit-taking NBFCs that offer traditional sources of working capital finance, due to their lower cost of funds as compared to a non deposit-taking NBFC which would in turn rely on bank credit as one of its own sources of finance.

Our competitors offering traditional sources of working capital finance may also benefit from the relative ease in registration and verification of authenticity of their standard financing documentation, as compared to the standard documents involved in a factoring transaction, which are not required to be registered under Indian law presently in effect, and where it may at times therefore be difficult to ascertain the authenticity of invoices and notices of assignment that we have entered into with the client under any factoring transactions that we have entered into, or to avoid the risk of double financing especially in the case of 'silent' or non-disclosed factoring transactions that we may enter into, or to initiate enforcement and recovery proceedings under a debt recovery tribunal or under the SARFAESI. Although the proposed reform in the regulatory framework governing the factoring business in India is expected to encourage competition in the factoring business, the timing and implications of any such planned legislation are not presently possible for us to foresee.

***7. We have significant borrowings and are subject to restrictive covenants under our credit facilities that may limit our flexibility in managing our business. An inability to effectively service our borrowings, manage our leverage ratio and comply with or obtain waivers of applicable loan covenants, as the case may be, may adversely affect our business, results of operation and financial condition.***

Total credit facilities sanctioned to us as on May 31, 2011 aggregated to ₹ 10,260.00 million, of which the total outstanding facilities aggregated to ₹ 7,253.68 million, and our debt to equity ratio was 5.75. These facilities involve substantial debt service obligations, some of which may be of a significantly longer term than our financing commitments under the factoring and short-term corporate loans transactions that we have entered into with our clients. Although all of our financing sanction documents typically include an interest reset clause and permits the withdrawal of any rolling facility at our discretion, we may not have control over all of the factors that may create an asset-liability mismatch on account of any failure by us to ensure that our payment obligations and schedules under our current or any future borrowings are offset by the financing transactions that we have entered into.

There are also restrictive covenants in the agreements we have entered into with certain banks and financial institutions, including our Promoter, for our borrowings. These restrictive covenants require us to maintain certain financial ratios and to seek the prior permission of our lenders for various activities, including for change

in our capital structure, disposal of any part of our business or revenues, effecting any scheme of amalgamation or reconstitution, implementing a new scheme of expansion, taking up a new or allied line of business, forming a new subsidiary, and other matters. Such restrictive covenants in our loan documents may restrict our operations or ability to expand and may adversely affect our business. If we fail to meet our debt service obligations or a default otherwise occurs, our lenders may declare us in default under the terms of our borrowings and accelerate the maturity of our obligations, or in some cases, may exercise step-in rights, or may enforce the security underlining their secured lending. Any acceleration of the maturity of our obligations may have an adverse effect on our cash flows, business and results of operations. Further, a default on certain of our loans may trigger cross-defaults under some of our other loans. In addition, unsecured loans taken by our Company, our Promoter, Group Companies or associates may be recalled by the respective lenders at any time.

There can be no assurance that we will be able to comply with all the financial or other covenants applicable to us under our borrowing arrangements or that we will be able to obtain the consents necessary to take the actions that we believe are required to continue to operate and to grow our business, in the future. In the event we are unable to service our borrowings or a default or cross default is otherwise triggered under any of our borrowing arrangements, current or in the future, there may be an adverse impact on our business, results of operation and financial condition.

For more information, see “**Financial Indebtedness**” on page 148.

8. ***In the event we are unable to continue to enjoy the benefits of our association with our Promoter to the same extent in the future, including in terms of our access to its clientele as a significant debtor base, recognition of the ‘IFCI’ brand, equity and debt funding, human resources and infrastructure support, there may be an adverse effect on our business, results of operation and financial condition.***

As a result of our relationship with our Promoter, we believe that we enjoy strong brand recognition for the use of the ‘IFCI’ name, as well as access to equity and debt funding, market reach and client financial and credit information databases (particularly for our short term corporate loans business), and human resources, technology and other infrastructure support from our Promoter, including in relation to the use by us of furnished premises belonging to our Promoter. For instance, as on March 31, 2011, 32.99% of our outstanding loan funds were from our Promoter, and all our remaining long-term borrowings as on that date were backed by a letter of comfort authorised by the board of directors of our Promoter. Further, three of our directors, including our non-executive chairman Atul Kumar Rai, are nominees of our Promoter and bring to our Board the benefit of their considerable management experience and their industry relationships, including in the non-banking financial services and corporate sectors.

In the event our Promoter disassociates from our Company in the future, due to any reason, or if we are otherwise unable for any reason to continue to enjoy any other benefits we derive from our association with our Promoter, such as our access to funding or support in the form of a comfort letter from our Promoter, the brand recognition for the ‘IFCI’ name and our access to our Promoter’s client base, our business and prospects may suffer and, in particular, our credit rating may also be adversely affected, which would impair our access to funds at a market rate and our ability to grow our business. Further, in such an event, we may be required to make alternative arrangements for the infrastructural support that we currently derive from our Promoter, for instance, in resituating our network of marketing representatives as well as in relation to any rebranding exercise as may be necessary. The costs of any such alternative arrangements may be significant, or we may not be able to find such alternative arrangements within a reasonable time or at all, which may in turn have an adverse effect on our business, results of operation and financial condition.

9. ***An inability to effectively manage our growth or successfully implement our business plan and growth strategy may adversely affect our business, results of operation and financial condition.***

Our total income increased from ₹ 29.74 million in fiscal 2007 to ₹ 801.07 million in fiscal 2011, at a compound annual growth rate (“CAGR”) of 127.82%. Further, our net profit after tax as restated increased from ₹ 7.09 million in fiscal 2007 to ₹ 200.68 million in fiscal 2011, at a CAGR of 130.66%. Due to our rapid growth in recent years, our past operating results may not be indicative of our future performance, and should not be considered as providing any assurance as to a sustained growth rate in the future.

We also intend to continue to grow our business, including through introduction of other variants of factoring related products and the expansion of our network of regional marketing representatives, which may place significant demands on our capitalisation and on our operational, credit, financial and other internal risk

controls, making management of asset quality increasingly important. Our growth also increases the challenges involved in maintaining and improving our internal administrative, technological and physical infrastructure, and entails substantial senior level management time and resources.

There can be no assurance that we will be able to implement, manage or execute our growth strategy efficiently or in a timely manner, or at all, which may adversely affect our business, results of operation and financial condition.

***10. We are unable to locate records of our required periodic filings with the RBI for the years preceding 2008. In the event the RBI initiates proceedings against us for any actual or perceived irregularity in our compliance with such reporting requirements, there may be an adverse effect on our business, results of operation and financial condition.***

NBFCs regulated by the RBI are required to submit certain specified annual, half-yearly and monthly returns to the RBI, with respect to their compliance with various regulations and norms applicable to them. However, we have been unable to locate records of our required periodic filings with the RBI for the years preceding 2008, prior to our acquisition by our Promoter. Accordingly, we do not presently possess records to establish our compliance with respect to the requirements of filing periodic returns with the RBI for such period.

There is no assurance that we will be able to continue to comply with RBI filing requirements in the future or that the RBI will not initiate inquiry or penalty proceedings against us with respect to any actual or perceived irregularity in submitting due returns for any future or historic period. In the case of adverse findings against us in any such proceeding, we may become subject to increased scrutiny, substantial penalties and/or legal costs (including in the form of a compounding fee), or our registration as an NBFC-ND-SI may be suspended or cancelled, which may have an adverse effect on our business, results of operation and financial condition.

For more information on reporting requirements applicable to us as an NBFC-ND-SI, see “***Regulations and Policies***” on page 71.

***11. Inadequate information available on our clients or their debtors increases the risk of non-payment or default or delayed payment by debtors, which may adversely affect our business, results of operation and financial condition.***

As per our current credit policy, all our credit facilities are sanctioned with recourse to the client, *i.e.*, where the client remains liable for non-payment by a debtor under an invoice. Further, we conduct credit appraisal procedures prior to the sanction of any loan and we implement various security and quasi-security arrangements in order to safeguard our asset quality. These procedures include the use of independent field survey agents for due diligence and credit appraisal. We also obtain certain representations and make certain assumptions as to the accuracy of the information available to us, or the adherence by our clients or their debtors to generally accepted accounting principles or business practices, for instance, in relation to the audited financial statements or credit profiles. It is possible that we may not receive updated information regarding any change in the financial condition or credit profiles of our clients or their debtors or their guarantors, or we may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation by our clients, their debtors, or our own employees and field survey audit agencies and the credit rating agencies on whose reports we rely. Our exposure to any such risks that we may face may be particularly acute in the case of ‘takeover accounts’, where we fund existing book debts and where the invoices are dated prior to the date of our factoring agreement (and where our Company has therefore not had the opportunity to undertake any due diligence procedures at the outset).

In addition, a nationwide credit bureau has become operational in India. Moreover, the credit information bureau does not report information from retailers, utility companies and trade creditors. Separately, India has only recently established an online collateral registry, but this registry only covers corporate entities and it is possible that information on certain SMEs may not be registered. As a result, there may be relatively less financial and credit information available on our clients, in particular on SMEs, than may have been available to a factor in a more developed economy.

Therefore, although we believe that our risk management controls are adequate for our present business, we cannot be certain that they will continue to be sufficient or that additional risk management policies will not be required as we continue to operate or expand our business in the future. Any such risks that we may be exposed to as a result of our reliance on inadequate or inaccurate information may adversely affect our business, financial condition and results of operation.



***12. We are subject to supervision and regulation by the RBI as a systemically important non deposit-taking NBFC. The requirement to comply with certain specific conditions may restrict our business growth and any changes in RBI regulations governing us may adversely affect our business, results of operation and financial condition.***

Banks and NBFCs in India are subject to strict regulation and supervision by the RBI. We are registered with the RBI as an NBFC-ND-SI. The laws and regulations governing the banking and financial services industry in India have become increasingly complex and cover a variety of issues, such as asset classification, capital adequacy, as well as individual and group borrower exposures and other prudential norms.

For instance, we are required under applicable laws and regulations to maintain a capital adequacy ratio (“CAR”) of at least 15% of our risk-weighted assets, with the minimum requirement of Tier I capital being 10.0%. Our CAR was 20.39% as of March 31, 2011, with Tier I capital comprising 14.06%. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favourable to us, which may adversely affect the growth of our business. In addition, our ability to borrow from banks may be restricted under guidelines issued by the RBI imposing restrictions on bank credit. For example, the permitted exposure (both lending and investment, including off balance sheet exposures) of a bank to a single NBFC is up to 10% of the bank's capital funds as per its last audited balance sheet. Therefore, as we grow our business, we may face limitations in accessing bank credit, which may impair our growth and therefore have an adverse effect on our business, results of operation and financial condition. We also adhere to provisioning requirements, pursuant to the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007 (“**RBI Prudential Norms**”). These provisioning requirements may require us to hold fewer reserves for non-performing assets (“NPAs”) as a percentage of our total assets and maintain a lower threshold for the provision for doubtful loans and advances than the provisioning requirements applicable to financial institutions and banks in other countries, and may, moreover, require subjective judgments of our management. Although the RBI presently prescribes a provisioning requirement of 0.25% on standard assets for NBFC-ND-SIs, considering the unsecured nature and risks involved in the factoring business presently, our current credit policy recommends a more conservative provision of 0.50% on the standard assets of our Company. However, if our provisioning requirements are insufficient to cover our existing or future levels of NPAs or if future regulation requires us to increase our provisions, our ability to raise additional capital and debt funds as well as our business, results of operation and financial condition may be adversely affected.

In the event we are unable to comply with the applicable norms or if we fail to make or are delayed in making the required periodic filings with the RBI, we may be subject to regulatory action by the RBI, including penalty and compounding proceedings and/or suspension or cancellation of our registration as an NBFC-ND-SI. Moreover, there can be no assurance that the laws governing the financial services sector will not change in the future or that such changes or the interpretation or enforcement of existing and future laws and rules by governmental and regulatory authorities will not adversely affect our business and future financial performance, including by reason of requiring us to raise additional capital, incur additional compliance or legal costs, or to restructure our activities.

For more information on the laws and regulations applicable to us and the approvals obtained by us, see “**Regulations and Policies**” and “**Government and Other Approvals**” on pages 71 and 171, respectively.

***13. Awareness of factoring as an effective cash management tool in the Indian market is presently low, in part due to the present market environment and regulatory framework that are more oriented towards traditional sources of working capital finance. An inability to successfully position and market our products may adversely affect our business, results of operation and financial condition.***

We consider awareness of factoring as an effective cash management tool, and what we believe to be its relative advantages over traditional sources of working capital finance, to be presently low in the Indian market, partly due to the low penetration of factoring services in the Indian market and the absence of legislation specifically regulating factoring services within the current regulatory framework in India. Due to various reasons including the above, our potential clients and their debtors may be apprehensive about disclosing commercial details to a third party (*i.e.*, to a factor as part of a tripartite factoring arrangement) and about the recovery procedures that a factor or legal or regulatory authority may initiate against them. Moreover, the SME sector in India, which constitutes our primary client base, presently suffers from fragmentation and lack of adequate infrastructure, as well as being located primarily in Tier II and Tier III cities and towns, due to which, expanding our marketing network and clientele remains a challenge for us.



***14. A downgrade in our credit ratings or an inability to maintain our credit ratings may increase borrowing costs and thereby restrict our access to debt, which may adversely affect our business, results of operation and financial condition.***

The cost and availability of capital depends in part on our short-term and long-term credit ratings. We rely on rating agencies to enhance our own borrowing capability as well as for risk assessment purposes, in respect of our clients. Credit ratings reflect the opinions of ratings agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. Credit Research and Analysis Limited (“CARE”) has assigned a CARE A (SO) (A (Structured Obligation)) in respect of our long term Rupee borrowings and CARE A1+ (SO) (A One Plus (Structured Obligation)) in respect of our short term Rupee borrowings. These ratings are based on various factors, including a letter of comfort authorised by the board of directors of our Promoter, in respect of our borrowings. In the event we do not continue to receive such support from our Promoter in the future, our ratings may suffer a downgrade, or we may not be able to upgrade our ratings in the future. Certain other factors that influence our credit ratings may be outside our control, which may impact our cost of funds and growth strategy.

Further, the rating agency may reduce or indicate an intention to reduce our ratings at any time and there can be no assurance that we may not experience such downgrade in the future which may, in turn, adversely affect our access to capital and debt markets, our interest margins, our business and results of operations. In addition, any downgrade in our credit ratings may increase the probability that our lenders impose additional terms and conditions to any financing or refinancing arrangements we enter into in the future, thereby increasing our borrowing costs or restricting our future growth and operations.

***15. Our regional concentration in, and exposure to clients in, northern India is significant and any adverse change in the regional markets may impact our results of operation. In addition, we may experience difficulties in expanding our business into new regions and markets.***

Our domestic factoring operations presently constitute a significant proportion of our FIU, with export factoring accounting for only 0.13% of our FIU and 0.15% of our total income, as on March 31, 2011 (in part, because we do not presently have a foreign line of credit). Further, as on March 31, 2011, our business from the Northern region accounted for 52.44% of our FIU. Our significant concentration in India as well as our regional concentration in Northern India exposes us to any adverse developments in Indian and particularly in the Northern region, including in relation to political, climatic or other developments, local taxation issues or law and order concerns in the Northern region, which may render that proportion of our assets non-performing, as compared to our exposures to markets in the western, southern, eastern and other regions in India. Our competitors who have more diversified operations and a larger marketing and distribution network across India and in other markets may be better equipped than us to cope with any such pressures in the regional market in which we presently have a concentration of assets.

Further, as part of our growth strategy, we continue to evaluate attractive growth opportunities to expand our business into new regions and markets, particularly in Tier II and Tier III towns and cities in India, where clusters of SMEs are located. Factors such as competition, client requirements, culture, business practices and customs in these new markets may differ from those in our current markets, and our experience in our current markets may not be applicable to these new markets. In addition, as we enter new markets and geographical regions, we are likely to compete not only with other well established banks and financial institutions but also the local unorganized or semi-organized private financiers, who are more familiar with local business practices and customs, and have stronger relationships with potential clients.

As we plan to expand our geographic footprint, our business may be exposed to various additional challenges, including successfully marketing our products in markets with which we do not have previous familiarity; attracting potential clients in a market in which we do not have significant experience or visibility; falling under additional local tax jurisdictions; attracting and retaining new employees; expanding our infrastructure; maintaining standardized systems and procedures; and adapting our marketing strategy and operations to different regions of India in which different languages are spoken. To address these challenges, we may have to make significant investments that may not yield desired results or incur costs that we may not recover. An inability to expand our current operations may adversely affect our business, results of operation and financial condition.

***16. An inability to develop or implement effective risk management policies and procedures may expose us to***

***unidentified risks or unanticipated levels of risk, which may adversely affect our business, results of operation and financial condition.***

As a financial institution, and specifically due to the nature of our factoring and other allied businesses, we are subject to several risks, including credit risk, settlement risk, security risk, liquidity risk, interest rate risk, concentration risk, foreign currency exchange risk, operational risk, legal risk, reputational risk and credit rating risk. For more information on the various risks that may affect our business, financial condition and results of operation, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations- Qualitative Disclosure about Market Risks*” on page 144.

While we have formulated and implemented a comprehensive credit policy and various other internal control and risk management structures and procedures, we may not be able to effectively mitigate our risk exposures in particular market environments or against particular types of risks. Our risks are dependent on our ability to properly identify and mark to market changes in the value of financial instruments caused by changes in market conditions including current interest rates, information regarding our clients and their debtors, the regulatory environment and market knowledge. Consequently, these policies and procedures may not predict future risk exposures that may vary from, or be greater than, those indicated by historical measures. In addition, information available to us may not be accurate, complete, up-to-date or properly evaluated. Unexpectedly large or rapid movements or disruptions in one or more financial markets or other unforeseen developments may have an adverse effect on our results of operations and financial condition. There can be no assurance that our risk management policies and procedures will be effective in addressing all risks that we may encounter in our business and operations or that such policies and procedures are as comprehensive as those implemented by banks and other financial institutions. Our earnings are also dependent on our risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for losses. To the extent that our assessments, assumptions or estimates prove inaccurate or are not predictive of actual results, we may incur higher than anticipated losses.

In addition, we intend to continue to diversify our clientele and product portfolio. These business initiatives may involve operational and other risks that are different from those we currently encounter or anticipate, and there can be no assurance that we will be able to effectively identify and address any additional risks that apply to such business initiatives. An inability to develop, modify and implement effective and dynamic risk management policies and procedures may adversely affect our growth strategy and prospects.

***17. We seek to expand our portfolio size and market reach, with diversified factoring products. A failure to effectively position and market our product portfolio, including our recently launched product lines, may adversely affect our business, results of operation and financial condition.***

A significant proportion of our assets are presently concentrated in our domestic sales bill factoring business, with our other factoring and other allied products contributing a lesser proportion to our assets and income. As on March 31, 2011, our domestic sales bill factoring business accounted for 54.59% of our FIU, and our income from our domestic sales bill factoring business accounted for 59.18% of our total income in fiscal 2011. We are, therefore, continuing to explore opportunities to expand our business in recently launched product lines, such as our short term commercial loans business introduced in fiscal 2011 and advance payment against future receivables business introduced in fiscal 2010, and our export factoring business, which was introduced by us in fiscal 1998. The growth of our export factoring business will depend, in part, on our ability to obtain a foreign line of credit.

We may incur substantial costs to expand our product portfolio and market reach, including in relation to credit appraisal and due diligence, and cannot guarantee that such products will be successful, whether due to factors within or outside our control, such as general economic conditions, regulatory requirements, a failure to understand client demand and market requirements or management focus on specific product lines. If we fail to expand our business in these product lines as initially expected, we may lose a part or all of the costs incurred in development and promotion or discontinue these products entirely, which may, in turn, adversely affect our business, results of operation and financial condition.

***18. Our success depends in large part on our management team and skilled personnel and our ability to attract and retain such persons. An inability to recruit or retain necessary management and other key personnel may adversely affect our business, results of operation and financial condition.***

There is significant competition for management and other skilled personnel in our industry. We face challenges to recruiting and retaining a sufficient number of suitably skilled personnel, particularly as we continue to grow. Our future performance would depend on the continued service of our management team and skilled personnel, for instance, including our Managing Director, Rakesh Kapoor, and J.R. Jain, our Vice President (Credit and Operations), who each have close to 35 years of experience in corporate and financial sectors. The loss of any of the members of our Board, our senior management, or other key personnel or an inability to manage the attrition levels in different employee categories may adversely impact our business, results of operation and financial condition. Our attrition rate (calculated as total number of employees resigned/total number of employees at the fiscal year end X 100) for fiscal 2011 was 21.95%. Separately, one of our key employees, Soumendra Ghosh, is an employee of our Promoter, currently deputed to our Company. While the terms of his secondment do not provide a limitation in time, it is possible that we may not continue to enjoy his services over the long term.

Further, in the event our employees unionize in the future or we become involved in any significant employee-related disputes or there is a significant, unprecedented increase in our employee compensation costs, we may suffer a temporary or prolonged disruption in our operations and planned expansion, as well as experiencing strain on our management resources and quality of services provided, which may adversely affect our business, results of operation and financial condition.

For more information on our management and key employees, see “*Our Management*” on page 79.

***19. A failure, inadequacy or security breach in our information technology and telecommunication systems may adversely affect our business, results of operation and financial condition.***

Our ability to operate and remain competitive depends in part on our ability to maintain and upgrade our information technology systems and infrastructure on a timely and cost-effective basis, including our ability to process a large number of transactions on a daily basis across our network of regional marketing representatives. Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our financial, accounting or other data processing systems and management information systems or our corporate website may fail to operate adequately or become disabled as a result of events that may be beyond our control, including a disruption of electrical or communications services. Our business may be particularly susceptible to such disruptions as we continue to expand into Tier II and Tier III cities and towns, because of the higher cost of installation and implementation of technology in semi-urban locations. Further, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that may compromise data integrity and security and result in client information or identity theft, for which we may potentially be liable.

The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may also experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing client base and range of products. If any of these systems are disabled or if there are other shortcomings or failures in our internal processes or systems, it may disrupt our business or impact our operational efficiencies, and render us liable to regulatory intervention or damage to our reputation. The occurrence of any such event may adversely affect our business, results of operation and financial condition.

***20. We require certain regulatory approvals in connection with our business. An inability to renew any such pending approvals or obtain any such approvals as may be required in connection with our business in the future, may adversely affect our business, results of operation and financial condition.***

We require certain regulatory approvals in connection with our business, for instance our NBFC registration, on which further information is provided in “*Regulations and Policies in India*” and “*Government and Other Approvals*” on pages 71 and 171, respectively.

In connection with our export factoring businesses, our Company is required to deal in foreign exchange, for which it is required to be registered with the RBI as a ‘Category-III Authorised Dealer’ and to comply with certain periodic reporting requirements, including the filing of fortnightly returns in respect of its business and monthly reports in respect of its clients. Our Company has applied for renewal of its registration with the RBI as a ‘Category-III Authorised Dealer’. In the event our application for renewal of this registration is denied or significantly delayed for any reason, our export factoring services may be required to be suspended for the period for which we do not have a valid registration as a ‘Category-III Authorised Dealer’, which may have an

adverse effect on our business, results of operation and financial condition. Moreover, in the event we are unable to renew any other pending approvals or obtain any such approvals as may be required by us in the future, our business, results of operation and financial condition may be adversely affected.

**21. There is outstanding litigation against our Company, our Promoter, our Directors and our Group Entities, which, if determined adversely, may affect their business and operations and our reputation.**

In the ordinary course of their business, we as well as our Promoter, Directors and Group Entities may receive general commercial claims, as well as employee-related and other disputes. Litigation resulting from these claims may be costly and time-consuming and may divert the attention of management and key personnel from business operations.

Legal proceedings against our Company as well as material legal proceedings against our Promoter, Directors and Group Entities are pending at different levels of adjudication before various courts and tribunals, as described below:

*Litigation against our Company*

(₹ in million)

S. No.	Nature of the litigation	No. of outstanding litigation matters	Aggregate approximate amount involved
1.	Income tax disputes	4	2.90
<b>Total</b>			<b>2.90</b>

*Litigation against our Promoter*

(₹ in million)

S. No.	Nature of the litigation	No. of outstanding litigation matters	Aggregate approximate amount involved
1.	Income Tax	16	94,179.82
2.	Interest Tax	4	4,471.3
<b>Total</b>		<b>20</b>	<b>98,651.12</b>

*Litigation against our Directors*

None of the Directors on the Board of Directors of our Company are subject to any ongoing legal proceedings.

*Litigation against our Group Entities*

(₹ in million)

S. No.	Name of Group Entity	Nature of the litigation	No. of outstanding litigation matters	Aggregate approximate amount involved
1.	MPCON Limited (“MPCON”)	Rent	1	1.88
2.	North Eastern Development Finance Corporation Limited (“NEDFI”)	Income Tax	1	24.82
3.	IDBI Trusteeship Services Limited (“ITSL”)	Civil	1	79.00
4.	IFCI Infrastructure Development Limited (“IIDL”)	Stamp	1	17.73
5.	UPICO Limited (“UPICO”)	Arbitration	1	186.5
6.	Institute of Leadership Development (“ILD”)	Criminal	2	-
7.	Stockholding Corporation of India Limited (“SHCIL”)	Criminal	5	-
		Property Tax	1	31.41
		Recovery	1	244.00
		Negotiable Instruments Act, 1881 (“N.I. Act”)	1	244.00
<b>Total</b>			<b>15</b>	<b>829.34</b>

We cannot assure you that any of the legal proceedings described above will be decided in favour of our Company, Promoter, Directors and Group Entities, respectively. Further, the amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities and include amounts claimed. Should any new developments arise, such as a change in Indian law or rulings by appellate courts or tribunals, additional provisions may need to be made by us, our Promoter, Directors and Group Entities in our respective financial statements, which may adversely affect our business, financial condition and reputation.

For more information, see “*Outstanding Litigation and Material Developments*” on page 158.

**22. *Our contingent liabilities, in the event they were to materialize, may adversely affect our business, results of operation and financial condition.***

As of March 31, 2011, we had contingent liabilities not provided for, of ₹ 2.78 million in relation to income tax demand against our Company relating to assessment years 2002-03, 2004-05 and 2007-08, as disclosed in the notes to our audited financial statements as restated. If these contingent liabilities were to materialize, wholly or in significant proportion, our business, results of operation and financial condition may be adversely affected to that extent.

For more information on our contingent liabilities, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Financial Statements*” on pages 130 and 102, respectively. Also see “*Outstanding Litigation and Material Developments*” on page 158.

**23. *We have entered and may in the future enter into certain transactions with related parties. Any related party transactions that are not on an arm’s length basis or that may lead to conflicts of interest may adversely affect our business, results of operation and financial condition.***

We have entered and may in the future enter into transactions with related parties, including our Promoter. For instance, as on March 31, 2011, 32.99% of our outstanding borrowings were from our Promoter, with the remainder being from other lenders including commercial banks. In addition, our borrowings from other commercial banks and financial institutions are typically backed by a letter of comfort authorised by the board of directors of our Promoter. We also operate out of premises leased from our Promoter, including our Office premises, and we enjoy various other forms of technical and human resource support from our Promoter. While we enter into such transactions on arm’s length basis, there is no assurance that we could not have achieved more favorable terms on such transactions had they not been entered into with related parties. Further, it is likely that we will enter into related party transactions in the future. There is no assurance that such transactions, individually or in the aggregate, will be on arm’s length basis or on the most favorable terms that we could have achieved, had these transactions not been entered into with related parties.

Moreover, our Promoter and certain of our Group Entities are also NBFCs and are authorised by their respective charter documents to engage in non-banking finance activities. In the event any conflict of interest arises between us, or to the extent that competing financing products offered by any of our Promoter or Group Entities erode our market share, notwithstanding the differentiating factors between our respective product offerings, we may not be able to effectively manage any such conflict or competitive pressures and, consequently, our business, results of operation and financial condition may be adversely affected.

For more information, see “*Our Promoter and Group Entities*” and “*Financial Information*” on pages 90 and 102, respectively.

**24. *We have had negative cash flows from operations in recent periods. An inability to generate and sustain positive cash flows in the future may adversely affect our business, results of operation and financial condition.***

Our cash outflows from our factoring and allied financing products (net of payments and repayments we receive) are reflected in our cash flow from operating activities whereas cash inflows from debt funding we procure (net of repayments and interest payments) are reflected in our cash flows from financing activities. The following table sets forth certain information with respect to our historical negative cash flows in the periods indicated:

(₹ in million)



Particulars	Fiscal 2011	Fiscal 2010	Fiscal 2009
Net cash from (used in) operating activities	(86.98)	(111.61)	(613.52)
Net cash from (used in) investing activities	(182.61)	(3.70)	(1.19)
Net cash from (used in) financing activities	496.75	-	709.62
Net increase (decrease) in cash and cash equivalents	227.16	(115.31)	94.91

Any negative cash flows in the future could adversely affect our results of operations and financial conditions.

For more information, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Financial Statements*” on pages 130 and 102, respectively.

**25. *Notwithstanding our due diligence and credit appraisal procedures, we face the risk of providing double financing to a client who may have already have obtained working capital financing from an alternative source, based on the same receivables as our Company. In the event, or to the extent, of any misuse or mismanagement of funds by our clients, resulting in an erosion in the quality of our assets, our business, results of operation and financial condition may be adversely affected.***

Although we extend our factoring and other allied financing on the basis of due diligence and credit appraisal procedures designed to evaluate our clients’ working capital requirements and their access to or utilization of other sources of finance, and we also monitor the quality of our assets, primarily on the basis of identification of stressed and overdue accounts, we do not monitor the utilization of funds by our clients on an ongoing basis. Moreover, as the present regulatory framework does not require the registration of any assignment undertaken as part of a factoring transaction, we face the risk of providing double financing to a client who may already have obtained working capital financing from an alternative source, based on the same receivables as our Company.

As a result, there is no assurance that the financing provided by us will be used for the purposes sanctioned by us, and our asset quality and our clients’ ability to make requisite payments to us may suffer. In the event, or to the extent, of any misuse or mismanagement of funds by our clients, including due to any employee fraud or due to working capital financing extended by us being redirected towards other, possibly speculative, transactions resulting in an erosion in the quality of our assets, our business, results of operation and financial condition may be adversely affected.

**26. *An inability to comply with the membership requirements of FCI may restrict our ability to offer export bill factoring services, which may have an adverse effect on our business, results of operation and financial condition.***

We provide our export bill factoring facility as a member of Factors Chain International (“FCI”), a global network of factoring companies, in accordance with FCI approved general terms and conditions. One of the conditions of membership of FCI is that we must satisfy a minimum threshold, in terms of turnover through international factoring, of €5.0 million in any given calendar year. While we are not presently in compliance with the minimum international factoring turnover requirement, we continue to be a member of FCI as we have, among other things, undertaken to expand our international factoring business to meet the turnover requirement. As our export factoring business depends on our ability to obtain a foreign line of credit and various other factors, some of which may be beyond our control, there is no assurance that we will be able to comply with FCI’s membership requirements in the future. In the event our membership of FCI is suspended or revoked in the event of our failure to comply with membership requirements and we are unable to rectify such non-compliance or make alternative arrangements, our export factoring business may be adversely affected.

**27. *Our Promoter will continue to retain majority shareholding in our Company after the Issue, which will allow it to exercise significant influence over our Company. We cannot assure you that our Promoter will always act in our Company’s or our other shareholders’ best interest.***

A majority of our issued and outstanding Equity Shares are currently beneficially owned by our Promoter. On completion of this Issue, our Promoter, including through its nominees, will own 79,154,700 Equity Shares, or 66.83%, of our post-Issue Equity Share capital. Accordingly, our Promoter will continue to exercise significant influence over our business policies and affairs and all matters requiring shareholder approval, including the composition of our Board of Directors, the adoption of amendments to our certificate of incorporation, the approval of mergers, strategic acquisitions or joint ventures or the sales of all or substantially all of our assets, and our policies for dividends, lending, investments and capital expenditures. This concentration of ownership



also may delay, defer or prevent a change in control of our Company and may make some transactions more difficult or impossible without the support of our Promoter.

While there are certain rights and protections accorded to minority shareholders under Indian company laws, the interests of our Promoter as the Company's controlling shareholder may conflict with our Company's interests or the interests of our other shareholders. We cannot assure you that our Promoter or Promoter Group will necessarily act to resolve any conflicts of interest in our Company's or our other shareholders' favour.

**28. Some of our Group Entities have incurred losses in one or more of the three preceding fiscal years and one of our Group Entities had negative net worth in fiscal 2009. We rely on our Group Entities for certain business and support activities. Our business and results of operations may be adversely affected if these Group Entities continue to incur losses or have negative net worth in the future.**

Certain of our Group Entities have incurred losses in recent years, as set forth in the table below:

(₹ in million)

Name of Group Entities	Profit/(Loss) after tax		
	Fiscal 2011	Fiscal 2010	Fiscal 2009
ILD	3.27	(6.73)	(7.07)
IFIN Commodities Limited ("IFIN Commodities")	1.89	0.74	(0.05)
IFIN Credit Limited ("IFIN Credit")	0.22	1.23	(0.62)
Narayan Shriram Investments Private Limited ("NSIPL")	(0.01)	0.08	0.06
Ambitious Realtors Private Limited ("ARPL")	7.56	(0.06)	(0.04)

Further, North Eastern Industrial & Technical Consultancy Organisation Limited ("NEITCO"), one of our Group Entities, was loss making and had negative net worth in fiscal 2009. The audited financial results of NEITCO for fiscal 2011 and 2010 are not available.

(₹ in million)

Particulars	Fiscal 2009	Fiscal 2008	Fiscal 2007
Profit/(Loss) after tax	(2.79)	(2.29)	(4.26)
Net worth	(33.25)	(30.47)	(28.18)

Our business and results of operations may be adversely affected if these Group Entities continue to incur losses in the future.

**29. Our ability to pay dividends in the future will depend on various factors, including our cash flows, working capital requirements, financial condition and restrictive covenants in our financing arrangements. There is no assurance that our Company will pay dividends in the future, or as to the amount of any such dividends that may be declared.**

In the preceding five fiscal years, we have declared dividends in fiscal 2011 and fiscal 2007. Whether our Company pays dividends in the future and the amount of any such dividends, if declared, will depend on a number of factors, including our results of operation and financial condition, contractual restrictions (including the terms of some of our financing arrangements that currently restrict our ability to pay dividends) and other factors considered relevant by our Board of Directors and shareholders. Our future dividend policy will depend on our capital requirements and financing arrangements. There is no assurance that our Company will declare and pay any dividends on Equity Shares at any point in the future.

**30. If we fail to maintain effective internal control over financial reporting in the future, the accuracy and timing of our financial reporting may be adversely affected.**

We have taken steps to enhance our internal controls commensurate to the size of our business and our planned expansion, primarily through the formation of an internal audit team with specialized accounting and financial reporting experience, overseen by the Audit Committee of our Board of Directors and ultimately by our Board of Directors, as well as the adoption of stringent procedures and data processing systems. However, given the nature of our business, we remain susceptible to employee fraud and embezzlement as well as loss of investor confidence due to reasons that may be outside our control. If we fail to meet the demands placed on us as a listed company or if we are unable to adopt best practices to the extent our competitors have done so, we may be unable to report our financial results accurately and in time, and/or to prevent or mitigate any instances of fraud or embezzlement or loss of investor confidence that may occur due to any reason, which may adversely affect

our business, growth prospects and reputation.

**31. *We do not presently have a registered trademark over our brand name and logo. A failure to protect our intellectual property from infringement, or to defend our Company against any infringement claims instituted against us, may adversely affect our business, results of operation and financial condition.***

We have been accorded a no-objection by our Promoter for the use of the ‘IFCI’ name and our own brand name and logo are not presently registered trademarks in India. Though we have applied for registration of our trademark in India, we do not enjoy the statutory protection accorded to registered trademarks in India. Moreover, due to a range of factors, some of which may not be within our control, it is possible that our Promoter may not continue to allow us to use the ‘IFCI’ name in the future, for instance, in the event of any future disassociation of our Promoter from our Company for any reason. Further, we operate in a competitive business environment where the recognition of our brand and our ability to protect it, and to thereby differentiate our offerings from those of our competitors, are and will remain a significant element of our business strategy.

The registration of intellectual property in India is a time consuming process and there can be no assurance that we will be able to register our trademark within the time that we may expect or at all, or that third parties will not infringe on our intellectual property, causing damage to our business prospects, reputation and goodwill. In the event we are required to resort to litigation to protect our intellectual property or to defend ourselves in any infringement claims that may be made against us at any time in the future, we may suffer significant legal costs and our reputation and goodwill may accordingly suffer.

**32. *Our Office is not owned by us, and in the event we are unable to continue to operate from such leased premises, our business, financial condition and results of operation may be adversely affected.***

We do not own our Office premises located at New Delhi, which we lease from our Promoter. A failure to renew this lease on favourable terms or at all, or any claim by our Promoter as the owner of such premises or withdrawal of its consent to our occupancy may disrupt our operations. Further, our regional marketing representatives operate from our Promoter’s premises located in six other locations. In the event we are unable to continue using any such premises, we may be unable to locate suitable alternate facilities on favourable terms, or at all, and this may have an adverse effect on our business, financial condition and results of operation.

For more information, see “*Our Business – Property*” on page 70.

**33. *We may not be adequately insured against all potential losses to which we may be subject. The occurrence of an event against which we are not insured, sufficiently or at all, may adversely affect our business, results of operation and financial condition.***

As we operate from leased premises, we do not presently have any insurance coverage in our Company’s name with respect to our office premises or employees. The amount of any insurance coverage available to us presently, including under any insurance policies obtained in respect of our offices premises leased to us by our Promoter, may be less than the replacement cost of such property and may not be sufficient to cover all financial losses that we may suffer should a risk materialize.

In addition, in the future, we may not be able to obtain or maintain insurance of the types or in the amounts which we deem necessary or adequate or at premiums which we consider acceptable. The occurrence of an event for which we are not adequately or sufficiently insured or the successful assertion of one or more large claims against us that we are not insured against or that exceed available insurance coverage, or changes in our insurance policies (including significant premium increases or imposition of large deductible or co-insurance requirements), may have an adverse effect on our business, results of operation and financial condition.

For more information, see “*Our Business – Insurance*” on page 70.

**34. *Our management will have broad discretion over the use of the Net Proceeds and the Net Proceeds may not be utilized in a manner that would increase the value of your investment in our Company.***

We intend to use the Net Proceeds in order to augment our capital base in order to meet our future capital requirements arising from the planned growth in our business, as described in “*Objects of the Issue*” on page 31. Our management will have the broad discretion to apply the Net Proceeds in the manner they deem

appropriate in accordance with applicable laws and regulations and our credit policy and our utilization of the Net Proceeds will not be monitored by any independent agency. It is possible that the deployment of the Net Proceeds may not lead to an expansion in our business, increase in our profitability or the value of your investment in our Company.

For more information, see “*Objects of the Issue*” on page 31.

**35. *Significant change in the regulatory and policy environment in which our clients operate may have an adverse effect on our business and prospects.***

Our clients are primarily in the SME sector, and largely in the manufacturing sector. While our exposure to particular sectors as well as to individual clients and client groups is limited by the RBI Prudential Norms as well as our own credit policy, any regulatory development, including any new regulatory or policy change of which the interpretation and implementation are presently uncertain, may strain our management and other resources and consequently our operating efficiencies.

For instance, while Micro, Small and Medium Enterprises Development Act, 2006, was notified in June 2006, significant challenges remain with respect to its implementation. Subsequently, the Ministry of Micro, Small and Medium Enterprises, GoI (“**MMSME**”) was created in May 2007, by merging the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries, GoI. The SME sector still remains subject to continuing reform and policy initiatives, including in respect of a specialized performance and credit rating scheme for, and a scheme for marketing assistance to, SMEs, as well as various promotional and educational programmes. While the objective of such legal and regulatory initiatives is to promote the SME sector in India and, in particular, its access to finance, the changing regulatory and policy environment necessitates a constant review of the market environment on our part, to ensure that we continue to be able to assess, and respond effectively to, market conditions and practices and the specific requirements of the SME sector in India that constitutes our primary client base.

The operations of our clients in the various industry sectors in which they operate may also be subject to regulatory and policy change from time to time, including in relation to the taxation, foreign investment, ECB, environmental, labour-related or other health and safety regulation applicable to them, whether generally or in the sectors in which they operate, such as real estate, construction, hospitality, information technology or other sectors, and our clients as well as their debtors may face increased compliance and legal costs, which may also adversely affect their liquidity and credit profiles and ability to service their obligations to us, or provide or maintain requisite collateral or other security, under the factoring or short term commercial loans transactions that we have entered into with them.

Any such change due to the evolving regulatory environment and our clients’ inability to effectively cope with resulting costs and competitive and other pressures, that we are not able to effectively assess, and respond effectively to, may adversely affect our business and growth prospects.

For more information, see “*Industry Overview*” on page 45.

## **EXTERNAL RISK FACTORS**

**36. *Recent global economic conditions have been unprecedented and challenging and continue to affect the Indian financial markets and the Indian economy in general, which may have an adverse effect on our business and financial condition and the price of our Equity Shares.***

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies continuing into 2011. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to

reduce, and in some cases, cease to provide credit to businesses and consumers. The impact of this is felt more strongly by small and mid-sized business, including in the manufacturing sector in India and worldwide, in part due to their relatively lesser balance sheet size and credit profiles, as compared to larger companies and corporate groups. The performance and growth of our business is dependent on the health of the overall Indian economy. Any downturn in the rate of economic growth in India, whether due to political instability or regional conflicts, economic slowdown elsewhere in the world or otherwise, may have an adverse effect on demand for our products.

**37. *Contract enforcement in India may be relatively less efficient than in certain other developed economies. In the event we are required to defend ourselves or initiate proceedings against any other party in a court of law, we may incur substantial time and cost, which may adversely affect our business, results of operation and financial condition.***

While the legislative framework in India has undergone considerable strengthening and reform in recent years and the role of the judiciary and quasi-judicial agencies in settlement of disputes have been better structured over the years, the resolution of commercial disputes may involve considerably less time and cost in certain other developed jurisdictions. Contract enforcement may be more efficient in jurisdictions where there are fewer procedures and court documents can be filed and tracked electronically. For instance, the Indian legal system is one of the jurisdictions involving the highest number of court procedures and where the time taken for contract enforcement is among the longest, as compared to jurisdictions such as Singapore, Hong Kong and others. (Source: SIDBI Factoring Report) Further, the resolution of disputes arising from factoring transactions may be speedier and less cumbersome in jurisdictions where the factoring business is better understood than it presently is India, and where the application of general commercial and bankruptcy laws to the factoring business (and where they exist, of specialized laws governing the factoring business) is less subject to ambiguities.

As a result, in the event we are required to defend ourselves or initiate proceedings against any other party in a court of law, the time and costs associated with any such defence or prosecution may be substantial, and may have an adverse effect on our business, results of operation and financial condition.

**38. *There is no existing market for the Equity Shares. The Issue Price of our Equity Shares may not bear any relationship to the market price of our Equity Shares after the Issue and the price of the Equity Shares may fluctuate in response to various factors.***

Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, volatility in the Indian and global securities markets, the performance of the Indian and global economy, significant developments in India's fiscal regime and other factors. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

**39. *Any future issuance of Equity Shares by us or sales of the Equity Shares by any of our significant shareholders may adversely affect the trading price of the Equity Shares.***

Any future issuance of our Equity Shares by us will dilute existing shareholders' ownership. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and may impact our ability to raise capital through an offering of our securities.

After the completion of the Issue, our Promoter will own, directly and indirectly, approximately 66.83% of our outstanding Equity Shares. Sales of a large number of our Equity Shares by our Promoters may adversely affect the market price of our Equity Shares. Similarly, the perception that any such primary or secondary sale may occur may adversely affect the market price of our Equity Shares.

There can be no assurance that we will not issue additional Equity Shares or that our shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur may also affect the trading price of our Equity Shares.

**40. *You will not be able to immediately sell any of the Equity Shares you purchase in this Issue on the Stock Exchanges.***

Under the SEBI ICDR Regulations, we are permitted to Allot the Equity Shares within 12 working days of the closure of the Issue. You can start trading in the Equity Shares only after they have been credited to your beneficiary account and listing and trading permissions are received from the Stock Exchanges. The Equity Shares will be listed on the Stock Exchanges. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry or dematerialised accounts with depository participants in India are expected to be credited within two working days of the date on which the Designated Stock Exchange approves the Basis of Allotment for the Issue. Thereafter trading in the Equity Shares is expected to commence within 12 working days of the Bid/Issue Closing Date. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your beneficiary account, or that the trading in Equity Shares will commence within the specified time periods.

**41. *There is no guarantee that the Equity Shares issued pursuant to the Issue will be listed on the Stock Exchanges in a timely manner, or at all, and any trading closures at the BSE or the NSE may adversely affect the trading price of our Equity Shares.***

In accordance with Indian law and practice, permission for listing of, and commencement of trading in, the Equity Shares will not be granted until after the Equity Shares have been Allotted. Receipt of such approval requires all relevant documents authorizing the issuance and allotment of the Equity Shares to be submitted to the Stock Exchanges. There may be a failure or delay in listing the Equity Shares on the BSE and/or the NSE, due to reasons that may be beyond our knowledge or control. In accordance with section 73 of the Companies Act, in the event the listing and trading approvals for the Equity Shares are denied by the Stock Exchanges, our Company would be required to refund all monies collected to the Bidders. For more information, see ***"Other Regulatory and Statutory Disclosures"*** on page 172.

Further, the regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. A closure or prolonged suspension of trading on either or both of the BSE and the NSE may adversely affect the trading price of the Equity Shares and may restrict your ability to dispose of your Equity Shares.

**42. *There may be restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

Following the Issue, we may be subject to a daily 'circuit breaker' imposed by the stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers may be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The Stock Exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker may limit the upward and downward movements in the price of the Equity Shares. As a result of this, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

**43. *The market value of an investors' investment may fluctuate due to the volatility of the Indian securities markets.***

Stock exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. The stock exchanges in India, in line with global developments, have witnessed substantial volatility in recent years and continue to be volatile in 2011. For instance, the highest and lowest BSE Sensex indices varied by more than 34.9%, representing a high-low variation of approximately 5,456.7 points, in the calendar year 2010.

The Indian stock exchanges have also, in the past, experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative



effect on market sentiment. Any of these factors may adversely affect the value of your Equity Shares or your ability to dispose of your Equity Shares.

***44. An increase in inflationary pressures may affect liquidity and interest rates in the Indian economy, which may adversely affect our business, results of operation and financial condition.***

As per the RBI's Mid-Quarter Review Monetary Policy Review in March 2011, wholesale price index inflation for March 2011 was approximately 8.0%, a sharp increase from the averaged wholesale price index inflation rate of 3.6% in fiscal 2010, in part due to non-food manufactured products inflation, an indicator of demand side pressure as well as supply side shocks in global crude oil and other commodity prices, with the acceleration being spread across manufacturing activities. Inflationary pressures may result in reduced liquidity and higher interest rates in the Indian economy, which in turn may increase our cost of funds and thereby adversely affect our business, results of operation and financial condition.

***45. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which may adversely affect our business, results of operation and financial condition.***

India's foreign exchange reserves have grown significantly since 1991, from US\$ 5.8 billion at end-March 1991 to US \$ 279.1 billion as on March 31, 2010, as per the RBI's Half Yearly Annual Report on Management of Foreign Exchange Reserves released by the RBI on March 25, 2011. A decline in these reserves may result in reduced liquidity and higher interest rates in the Indian economy, which in turn may increase our cost of funds and thereby adversely affect our business, results of operation and financial condition.

***46. Volatility in foreign exchange and un-hedged foreign currency may adversely affect our business, results of operation and financial condition and the trading prices of our Equity Shares.***

While a substantial portion of our revenues is, and we expect in future will be, denominated in Rupees, we are exposed to foreign exchange rate risk in relation to our export financing business. Further, in relation to our foreign currency borrowings, volatility in currency exchange rates may adversely affect our business, results of operation and financial condition. While we have put in place a credit policy to, among other things, manage risks associated with our export factoring business, any such controls and procedures may not be adequate to protect us against such risks.

Further, while we typically do not engage in any hedging transactions to manage interest rate and foreign exchange currency rate risks, in the event we do implement any hedging transactions in the future, our hedging strategy may not be successful in minimizing our exposure to these fluctuations and we may face the risk that the counterparties to our hedging activities may fail to honour their contractual obligations to us. This may result in us not being able to net off our positions and hence reduce the effectiveness of any hedges we may create in the future. Non-performance of contracts by counterparties may lead to us in turn not being able to honour our contractual obligations to third parties. This may subject us to, among other things, legal claims and penalties.

***47. A decline in India's exports may affect Indian exporters' demand for working capital finance, including factoring services, which may adversely affect our business, results of operation and financial condition.***

As per the RBI's report on Macroeconomic and Monetary Developments in 2010-2011, issued in May 2011, India's exports decelerated by 3.6% in fiscal 2010. A sustained failure to increase or a sustained decrease in India's exports may adversely affect the demand for working capital finance among Indian exporters generally, including for export factoring services, thereby affecting our business, results of operation and financial condition.

***48. The proposed adoption of IFRS may have an adverse effect on the price of our Equity Shares.***

Public companies in India, including us, may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI ("MCA"), through the press note dated January 22, 2010 (the "MCA Press Release"). The MCA, through a press release dated February 25, 2011, announced that it will implement the converged accounting standards in a phased manner after various issues including tax related issues are resolved. The MCA will announce the date of implementation of the converged accounting standards at a later date. Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have an adverse effect on the amount of



income recognized during that period and in the corresponding period in the comparative fiscal year/period. Our transition may also be hampered by increasing competition and increased costs for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements.

***49. Political instability may adversely affect business and economic conditions in India, which may have an adverse impact on our business, results of operation and financial condition.***

The GoI has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in Government policies, including taxation. Social, political, economic or other developments in or affecting India, acts of war and acts of terrorism may also adversely affect our business, results of operation and financial condition.

Since 1991, successive governments have generally pursued policies of economic liberalization and financial sector reforms. However, there can be no assurance that such policies will be continued and any significant change in the Government's policies in the future may affect business and economic conditions in India in general. In addition, any political instability in India or geo-political stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which may also affect the trading price of our Equity Shares. Our performance and the growth of our business are necessarily dependent on the performance of the overall Indian economy.

***50. A downgrading of India's debt rating by an international rating agency may have an adverse effect on our business, results of operation and financial condition.***

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

***51. Terrorist attacks and other acts of violence or war involving India and other countries may result in a loss of business confidence and adversely affect our business, results of operation and financial condition.***

Certain events that are beyond our control, such as terrorist attacks and other acts of violence or war may adversely affect worldwide financial markets and may lead to an economic recession, which may adversely affect our business, results of operation, financial condition, and more generally, any of these events may lower confidence in India's economy. India has experienced social unrest in some parts of the country, and diplomatic relations between India and neighboring countries have suffered post terrorist attacks in November 2008. Such tensions may lead to overall political and economic instability, and thereby have an adverse effect on our business, results of operation and financial condition and the trading price of the Equity Shares.

***52. Natural calamities may have an adverse impact on the economies of the countries in which we operate, which may have an adverse effect on our business, results of operation and financial condition.***

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. For example, as a result of drought conditions in the country during 2003, the agricultural sector recorded negative growth for that period. The erratic progress of the monsoon in 2004 and 2009 affected sowing operations for certain crops. Further, prolonged spells of below normal rainfall or other natural calamities may have a negative effect on the Indian economy, adversely affecting our business, results of operation and financial condition and the price of our Equity Shares.

**Prominent Notes:**

- Issue of 39,086,628 Equity Shares of ₹ 10 each for cash at a price of ₹ [●] per Equity Share of our Company aggregating ₹ [●] million. The Issue would constitute 33.00% of the post-Issue paid up capital of our Company.

- The net worth of our Company as of March 31, 2011 as per our restated financial statements included in this Draft Red Herring Prospectus was ₹ 1,225.58 million.
- The net asset value per Equity Share as of March 31, 2011 as per our restated financial statements was ₹ 15.44.
- The average cost of acquisition of Equity Shares of our Company by our Promoter is ₹ 11.40 per Equity Share.
- For more information on Group Entities having business or other interests in our Company, see “*Promoter and Group Entities*” and “*Financial Statements*” on pages 90 and 102, respectively.
- Our Company has entered into certain related party transactions for an aggregate amount as shown in the table below for the year ended March 31, 2011 based on our restated financial statements included in this Draft Red Herring Prospectus:

		(₹ in million)
Particulars		Amount
Rent to IFCI		17.65
Loan from IFCI		
	<b>Opening Balance payable</b>	950.00
Add -	Disbursement	3,150.00
Less-	Repayment	1,600.00
	<b>Closing Balance</b>	2,500.00
Interest to IFCI		
	<b>Opening Balance payable</b>	17.29
Add -	Interest for the year	192.26
Less -	Repayment	153.65
	<b>Closing Balance</b>	55.90
Assignment of debts to IFCI		
	Receivable Assigned	459.86
Less -	Receipt	459.86
	<b>Closing Balance</b>	-
Documentation charges paid to IFCI		1.00
Reimbursement of Expenses to IFCI		0.42
Reimbursement of Expenses from IFCI		0.38
Managing Directors' remuneration		4.90
Pledge charges to IFCI Financial services Limited (“IFIN”)		0.69
Balance payable towards charges/reimbursement (As at year end) to IFCI		0.47

For more information, see “*Financial Statements*” on page 102.

- Our Company was incorporated as ‘Foremost Factors Limited’ on December 14, 1995 under the Companies Act with the RoC. Subsequently, the name of our Company was changed to ‘IFCI Factors Limited’, on account of IFCI acquiring control of our Company, pursuant to a fresh certificate of incorporation from the RoC on January 7, 2009.
- There has been no financing arrangement whereby the Promoter Group, the Directors of our Company, our Promoters and/or their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period from six months immediately preceding the date of filing of the Draft Red Herring Prospectus with SEBI.
- Investors may contact the BRLM who has submitted the due diligence certificate to SEBI, for any complaint pertaining to the Issue.

## SECTION III - INTRODUCTION

### SUMMARY OF INDUSTRY

*Unless otherwise indicated, industry data used throughout this section is derived from publicly available sources including the RBI and the GoI, and the following sources and publications: FCI Statistics©; Planning Commission Report; the SMBDCI Report; the World Factoring Yearbook 2010 and SIDBI Factoring Report.*

*Such data or their presentation in this chapter may be subject to approximations, rounding off or reorganization. While industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, their accuracy, completeness and underlying assumptions are not guaranteed and neither we nor any person connected with the Issue has independently verified the information provided in this chapter. The extent to which you place reliance on the information provided in this chapter should accordingly be limited.*

#### **Overview of the Indian Economy**

The Indian economy continued to outperform most emerging markets during 2010-2011, retaining its position as the second fastest growing economy, after China, amongst the G-20 countries. *(Source: Reserve Bank of India Macroeconomic and Monetary Developments in 2010-2011)* The gross domestic product (“GDP”) of India at constant (2004-2005) prices is estimated at ₹ 48.78 trillion for fiscal 2011, showing a growth rate of 8.5% over fiscal 2010. The Index of Industrial Production of manufacturing registered a growth rate of 8.1% during fiscal 2011. *(Source: Ministry of Statistics and Programme Implementation, Government of India, Press Note on Revised Estimates of Annual National Income, 2010-2011 and Quarterly Estimates of Gross Domestic Product, 2010-2011, dated May 31, 2011)* During the same period India’s exports went up by 37.55% to USD 245.86 billion, demonstrating robust demand for Indian merchandise. *(Source: Press Note dated May 2, 2011, ‘India’s Foreign Trade: March 2011’, Ministry of Commerce and Industry, Government of India)*

The projected growth rate of the GDP for fiscal 2012 is estimated to be 8.2%, and the long-term forecast for real growth in GDP is projected as 8.5% over the next five years and 8.7% over the next 10 years. *(Source: Reserve Bank of India, Press Release on ‘Results of 15th Round (Q4:2010-11) of Survey of Professional Forecasters on Macroeconomic Indicators’ dated May 25, 2011)* Sectors including automobiles, auto ancillaries and textiles have benefited from increase in demand, this trend is expected to gain traction with growing confidence among businesses and consumers. *(Source: World Factoring Yearbook 2010)*

#### **Overview of the SME Sector in India**

SMEs contribute 45% of the industrial output, 40% of exports, 60 million in employment, with generation of 1.3 million employment opportunities annually and produce more than 8,000 quality products for Indian and international markets. SME’s Contribution towards GDP in 2009 was 17% which is expected to increase to 22% by 2012. SMEs are significant in the manufacturing and service sectors, as well as a link in the supply chain to corporate entities and public sector undertakings. Promotion of SMEs contributes to the development of rural areas of India. SMEs are consequently exposed to significant opportunities for expansion and diversification across sectors, with progress in various industries like manufacturing, precision engineering, food processing, pharmaceuticals, textiles and garments, retail, information technology, agro and service sectors. *(Source: SMBDCI Report)*

The SME sector acts both as a backward and forward linkage to the overall industrial sector of the Indian economy. This sector encompasses a majority of products manufactured by Indian industries, and includes a substantial number of services, including food processing, agriculture, chemicals and pharmaceuticals, electrical and electronic goods, medical and surgical equipment, textiles and garments, gems and jeweler, leather and leather goods, bio-engineering and computer software. *(Source: World Factoring Yearbook, 2010)*

Despite its contribution to the Indian economy, the SME Sector does not have access to requisite support from the banks and financial institutions, which hinders SMEs in terms of absence of adequate and timely banking finance, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategy, identification of new markets, constraints on modernization and expansion and non-availability of highly skilled labour at affordable cost. *(Source: SMBDCI Report)*

SMEs may securitize and sell their receivable claims, in order to reduce their investment in working capital and thereby their need for finance significantly, leading to smaller and better-capitalised balance sheets, which would improve their credit worthiness. (Source: *Planning Commission Report*)

## Overview of Factoring

Factoring is a continuing financing arrangement where a business concern assigns its accounts receivable to a third party called a factor, at a discount and an agreed factoring fee, which typically provides immediate liquidity to finance the operations of the business concern. An entity requiring working capital finance in relation to a transaction involving future receivables may avail of factoring.

There are generally three parties involved in a factoring arrangement:

- (i) the client, who is originally entitled to the accounts receivables and requires immediate working capital;
- (ii) the debtor, who is obliged towards such accounts receivables to the client; and
- (iii) the factor, who agrees to liquidate the accounts receivable towards the client for the consideration of a discount and an agreed factoring fee.

Typically, the mechanism of a factoring facility is undertaken through the following process:

- On receiving a request for factoring, the factor scrutinizes the financial statements and conducts credit assessment of the client, on the basis of which the application is processed and, if approved, the factor assigns an overall factoring limit to the client.
- Prior to commencement of the facility, the factor seeks a letter of waiver/no-objection from the bankers to the client, and also conducts due diligence and examines the sales ledgers of the debtor, following which sub-limits may be set for respective debtor, on the basis of which in-house approval of factoring arrangement is granted to the client.
- A letter of notification is thereafter sent for acceptance to the debtor, following which a factoring agreement is signed between the client and the factor with respect to the accepting debtor.
- The client is then required to submit original invoices accompanied with assignment clauses and proof of delivery of those invoices, following which, the factor makes advance payment of typically 80% of the total invoice value to the client, deducting its commission and interest charges thereon.
- Thereafter, the factor manages the client's sales ledgers, sends due-date reminders to client's debtors and collects payments as and when due. On receipt of the full payment, the factor pays the balance amount due to the client.

(Source: *SIDBI Factoring Report*)

For more information, see “*Industry Overview*” on page 45.

## SUMMARY OF BUSINESS

### Overview

We are a financial services company, providing factoring solutions across various industries. Factoring is a continuing financing arrangement, where a business concern assigns its accounts receivable to a third party such as us called a “factor” at an agreed discount and factoring fee, which typically provides immediate liquidity to finance the operations of the business concern. Our primary business is to provide domestic sales bill factoring, supported by our other factoring products and allied financing services such as our short term corporate loans business.

We believe that we enjoy an early mover advantage in the domestic factoring business in India. Our Company was incorporated as Foremost Factors Limited in December 1995 and changed its name to IFCI Factors Limited in January 2009, pursuant to its acquisition by IFCI in 2008. IFCI, the Promoter of our Company, was established by an Act of Parliament on July 1, 1948. It was corporatised in July 1993 and is presently registered with the RBI as a NBFC-ND-SI and is a notified PFI under Section 4A of the Companies Act. IFCI is one of India’s oldest development financial institutions established after India’s independence, providing medium and long term project finance mainly to the manufacturing sector, as well as allied corporate advisory services.

Our product offerings are comprised of factoring and variants of factoring related products in accordance with our credit policy, which is tailored to suit the financing requirements of our clients, including SMEs. The products we offer include domestic sales and purchase bill factoring, advance against future receivables, export factoring and bill discounting under letters of credit, supported by our allied financing services such as short term corporate loans. With significant experience in the factoring industry in India and our network of regional marketing representatives, we have built an extensive and diverse client base and expertise across industry sectors and geographies, particularly in the manufacturing sector. As SME clusters are scattered across India with concentration in Tier II and Tier III cities and towns, we have strategically located our representatives in seven locations across India, and are seeking to expand our regional marketing network further. We are also a member of the FCI, which is a global network of factoring companies, whose common aim is to facilitate international trade through factoring and related financial services.

We are regulated by the RBI as an NBFC-ND-SI. We believe that our NBFC-ND-SI classification provides us with significant operational flexibility and enables us to effectively capitalize on available financing opportunities in India. Our primary sources of funds include equity capital, internal resources and borrowings from our Promoter and other lenders. Our borrowings from commercial banks and other financial institutions are typically backed by a letter of comfort authorised by the board of directors of our Promoter. We currently enjoy credit ratings of CARE A (SO) (A (Structured Obligation)) in respect of our long term Rupee borrowings and CARE A1+ (SO) (A One Plus (Structured Obligation)) in respect of our short term Rupee borrowings, from CARE.

We have established a track record of consistent financial performance and growth. Certain of our key growth and efficiency indicators in fiscal 2011, 2010 and 2009 are set forth below:

(₹ in million)			
Certain Key Operational Indicators	Fiscal 2011	Fiscal 2010	Fiscal 2009
Turnover	26,834.60	11,640.00	4,023.10
FIU (as on March 31)	8,568.64	3,027.49	1,116.06
Average earning on FIU	15.32%	15.74%	16.56%
NIM	7.50%	11.17%	12.19%
GNPA as % of FIU	1.31%	2.58%	-
NNPA as % of FIU	1.18%	2.32%	-
CAR	20.39%	36.14%	87.59%

For more information on our key operational indicators, see “*Selected Statistical Information*” on page 126.

In fiscal 2011, 2010 and 2009, our turnover was ₹ 26,834.60 million, ₹ 11,640.00 million and ₹ 4,023.10 million, respectively, while our FIU as on March 31, 2011, 2010 and 2009, aggregated to ₹ 8,568.64 million, ₹ 3,027.49 million and ₹ 1,116.06 million, respectively. Our total income increased from ₹ 29.74 million in fiscal 2007 to ₹ 801.07 million in fiscal 2011, at a CAGR of 127.82%. Further, our net profit after tax as restated increased from ₹ 7.09 million in fiscal 2007 to ₹ 200.68 million in fiscal 2011, at a CAGR of 130.66%.



## **Competitive Strengths**

We believe that the following are our primary competitive strengths:

- Strong relationship with Promoter and brand recognition;
- Established client relationships and diverse clientele across India;
- Comprehensive credit appraisal and risk management policies;
- Track record of consistent financial performance and growth;
- Qualified and committed management and employee base; and
- Robust information technology systems and infrastructure.

## **Business Strategy**

Our key business strategies are as follows:

- Capitalize on the growth of the Indian SME sector;
- Expand our portfolio size and market reach, with diversified factoring products;
- Reduce cost of funds; and
- Leverage our relationship with our Promoter and continue to promote our brand.

For more information, see “***Our Business***” on page 56.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our audited financial statements as restated for fiscal 2011, 2010, 2009, 2008 and 2007. These financial statements have been prepared in accordance with the Indian GAAP and the Companies Act, and restated in accordance with the SEBI ICDR Regulations and are presented in “*Financial Statements*” on page 102. The summary financial information presented below should be read in conjunction with our restated financial statements, the notes and annexures thereto and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on page 130.

### RESTATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. In millions)

	Particulars	As at March 31,				
		2011	2010	2009	2008	2007
<b>A</b>	<b>FIXED ASSETS</b>					
	Gross Block	19.88	21.60	17.04	34.84	32.71
	Less : Accumulated Depreciation / Amortisation	11.98	14.81	13.81	20.70	19.32
	Net Block:	7.90	6.79	3.23	14.14	13.39
	Capital Advances	0.20	0.34	0.25	-	-
	<b>Total</b>	<b>8.10</b>	<b>7.13</b>	<b>3.48</b>	<b>14.14</b>	<b>13.39</b>
<b>B</b>	<b>Deferred Tax Assets (Net)</b>	18.32	8.28	3.04	-	-
<b>C</b>	<b>Investments</b>	180.00	-	-	-	-
<b>D</b>	<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
	Sundry Debtors	7,672.16	3,844.93	1,347.11	286.85	388.38
	Cash and Bank Balances	243.83	16.67	131.98	37.07	10.01
	Loans & Advances	2,615.32	8.11	1.23	4.44	2.56
	<b>Total</b>	<b>10,531.31</b>	<b>3,869.71</b>	<b>1,480.32</b>	<b>328.36</b>	<b>400.95</b>
<b>E</b>	<b>TOTAL ASSETS ( A+B+C+D)</b>	<b>10,737.73</b>	<b>3,885.12</b>	<b>1,486.84</b>	<b>342.50</b>	<b>414.34</b>
<b>F</b>	<b>Deferred Tax Liability (Net)</b>	-	-	-	1.63	1.34
<b>G</b>	<b>LIABILITIES &amp; PROVISIONS</b>					
	<b>LOAN FUNDS</b>					
	Secured Loans	7,077.10	1,919.63	250.00	42.00	-
	Unsecured Loans	500.00	-	-	-	-
	<b>CURRENT LIABILITIES &amp; PROVISIONS</b>					
	Current Liabilities	1,821.40	859.95	251.19	57.24	170.08
	Provisions	113.65	16.08	6.58	1.56	8.86
	<b>TOTAL</b>	<b>9,512.15</b>	<b>2,795.66</b>	<b>507.77</b>	<b>100.80</b>	<b>178.94</b>
<b>H</b>	<b>NET WORTH (E-F-G)</b>	<b>1,225.58</b>	<b>1,089.46</b>	<b>979.07</b>	<b>240.07</b>	<b>234.06</b>
	<b>Represented By:</b>					
	<b>SHARE CAPITAL</b>					
	- Equity Shares	793.58	793.58	793.58	200.00	200.00
	<b>RESERVES &amp; SURPLUS</b>					
	- Share Premium	121.09	121.09	121.09	-	-
	- Statutory Reserve	86.88	46.74	24.66	19.79	18.59
	- General Reserve	3.17	3.17	3.17	3.17	3.17
	- Profit & Loss Account	220.86	124.88	36.57	17.11	12.30
	<b>TOTAL</b>	<b>1,225.58</b>	<b>1,089.46</b>	<b>979.07</b>	<b>240.07</b>	<b>234.06</b>

# RESTATED STATEMENT OF PROFITS & LOSS ACCOUNT

(Rs. In millions)

	Particulars	For the Year Ended March 31,				
		2011	2010	2009	2008	2007
<b>A</b>	<b>INCOME</b>					
	Income from Operations					
	Discount & Service Charges	604.71	281.24	83.62	29.94	26.18
	Application and Administration Charges	78.75	30.22	9.69	1.14	1.08
	Interest Income on Term Loans	115.94	-	-	-	-
	Other Income	1.67	4.93	11.88	1.36	2.48
	<b>Total</b>	<b>801.07</b>	<b>316.39</b>	<b>105.19</b>	<b>32.44</b>	<b>29.74</b>
<b>B</b>	<b>EXPENDITURE</b>					
	Personnel Expenses	36.87	24.73	10.06	7.34	7.65
	Operating, Administration & Other Expenses	34.20	24.52	29.35	8.67	9.24
	Financial Charges	367.73	81.64	22.09	1.99	1.02
	Depreciation	1.81	1.00	1.25	1.38	1.36
	<b>Total</b>	<b>440.61</b>	<b>131.89</b>	<b>62.75</b>	<b>19.38</b>	<b>19.27</b>
<b>C</b>	<b>Profit before Provisions/ Write off</b>	<b>360.46</b>	<b>184.50</b>	<b>42.44</b>	<b>13.06</b>	<b>10.47</b>
	Bad Debt Written off (net of provisions)	25.21	-	-	4.06	-
	Provisions:					
	- Standard Assets	27.58	14.70	-	-	-
	- Bad & Doubtful Debts	4.84	7.80	-	-	-
<b>D</b>	<b>Profit before Tax and extraordinary items</b>	<b>302.83</b>	<b>162.00</b>	<b>42.44</b>	<b>9.00</b>	<b>10.47</b>
<b>E</b>	<b>Provision for Tax</b>					
	- Current Tax	110.67	64.41	17.62	2.91	3.63
	- Deferred Tax	(8.85)	(8.33)	(3.10)	0.18	(0.12)
	- Fringe Benefit Tax	-	-	0.11	0.10	0.10
<b>F</b>	<b>Net Profit after Tax but before extraordinary items</b>	<b>201.01</b>	<b>105.92</b>	<b>27.81</b>	<b>5.81</b>	<b>6.86</b>
	Less: Extraordinary items	-	-	-	-	-
<b>G</b>	<b>Net Profit after Tax as per the audited Financial Statements</b>	<b>201.01</b>	<b>105.92</b>	<b>27.81</b>	<b>5.81</b>	<b>6.86</b>
	<b>Adjustment for change in Accounting Policies</b>					
	- Employee Benefits	-	-	(0.19)	0.40	(0.10)
	- Provision on Standard Assets	-	5.58	(4.42)	(0.07)	0.45
	<b>Adjustment for Prior-Period items</b>					
	- Adjustment of short/ (excess) provision of income tax	(1.52)	1.98	(0.44)	(0.02)	-
	Deferred Tax impact on above adjustment	1.19	(3.09)	1.57	(0.11)	(0.12)
<b>H</b>	<b>Net Profit after Tax as restated</b>	<b>200.68</b>	<b>110.39</b>	<b>24.33</b>	<b>6.01</b>	<b>7.09</b>
<b>I</b>	<b>Balance brought forward from previous year</b>	<b>124.88</b>	<b>36.57</b>	<b>17.11</b>	<b>12.30</b>	<b>14.16</b>
<b>J</b>	<b>Profit available for Appropriation</b>	<b>325.56</b>	<b>146.96</b>	<b>41.44</b>	<b>18.31</b>	<b>21.25</b>
	Less: Transfer to Statutory Reserve Fund	40.14	22.08	4.87	1.20	1.42
	Less: Transfer to General Reserves	-	-	-	-	0.69
	Less: Dividends	55.55	-	-	-	6.00
	Less: Tax on Dividends	9.01	-	-	-	0.84
<b>K</b>	<b>Balance carried to Balance Sheet</b>	<b>220.86</b>	<b>124.88</b>	<b>36.57</b>	<b>17.11</b>	<b>12.30</b>

# RESTATED STATEMENT OF CASH FLOW

(Rs. In millions)

	Particulars	For the Year Ended March 31,				
		2011	2010	2009	2008	2007
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
	Net Profit before Tax as restated	302.83	162.00	42.25	9.40	10.37
	Add /(Less) :					
	Adjustments for					
	Depreciation/Amortisation	1.81	1.00	1.25	1.38	1.36
	Unclaimed Balances Written Back	-	(0.42)	(0.13)	-	-
	Bad Debts	25.21	-	-	4.06	-
	Contingent Provisions against Standard Assets	27.58	14.70	-	-	-
	Provision for Bad and Doubtful Debts	4.84	7.80	-	-	-
	Provision for Gratuity	0.09	0.26	0.02	(0.11)	(0.11)
	Provision for Leave Encashment	0.30	0.70	-	(0.42)	(0.03)
	Foreign Exchange Loss	-	0.44	-	-	-
	Income From Mutual Fund	(0.18)	(0.95)	-	-	-
	Expenses Related to Issuance of Share Capital	3.25	-	4.88	-	-
	(Profit)/ Loss on Sale of Assets	-	-	10.60	-	(0.05)
	Amounts written off	-	-	0.66	-	-
	Operating Profit before Working Capital changes	365.73	185.53	59.53	14.31	11.54
	Adjustments for Working Capital changes :					
	- Increase/ (Decrease) in Borrowings	5,157.47	1,669.19	208.00	42.00	(78.55)
	- (Increase)/ Decrease in Sundry Debtors	(3,857.28)	(2,505.62)	(1,060.92)	97.47	117.88
	- Increase/ (Decrease) Sundry Creditors	961.46	609.18	194.25	(112.86)	(29.93)
	- (Increase)/ Decrease Loans and Advances	(2,614.39)	0.30	1.58	(1.66)	2.32
	<b>Cash generated from Operations</b>	12.99	(41.42)	(597.56)	39.26	23.26
	- Direct Tax Paid	(99.97)	(70.19)	(15.96)	(3.25)	(5.48)
	<b>NET CASH INFLOW/ (USED) IN OPERATING ACTIVITIES</b>	(86.98)	(111.61)	(613.52)	36.01	17.78
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
	- Purchase of Fixed Assets	(2.79)	(4.65)	(1.79)	(2.13)	(0.19)
	- Sale of Fixed Assets	-	-	0.60	-	0.18
	- Investment in Mutual Funds	(180.00)	-	-	-	-
	- Income From Mutual Fund	0.18	0.95	-	-	-
	<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(182.61)	(3.70)	(1.19)	(2.13)	(0.01)
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
	- Proceeds from Issuance of Equity Share Capital	-	-	714.67	-	-
	- Dividend Paid	-	-	(0.17)	(6.82)	(11.10)
	- Subordinate Debts Raised	500.00	-	-	-	-
	- Expenses Related to Issuance of Share Capital	(3.25)	-	(4.88)	-	-
	<b>NET CASH INFLOW/ (USED) IN FINANCING ACTIVITIES</b>	496.75	-	709.62	(6.82)	(11.10)
	<b>NET CASH AND CASH EQUIVALENTS INFLOW/(USED)</b>	227.16	(115.31)	94.91	27.06	6.67
	<b>CASH AND CASH EQUIVALENTS (OPENING BALANCE)</b>	16.67	131.98	37.07	10.01	3.34
	<b>CASH AND CASH EQUIVALENTS (CLOSING BALANCE)</b>	243.83	16.67	131.98	37.07	10.01

## THE ISSUE

<b>Issue</b>	39,086,628 Equity Shares
<i>Of which</i>	
A) QIB Portion*	Up to 19,543,313 Equity Shares
<i>Of which</i>	
Available for allocation to Mutual Funds only	977,166 Equity Shares
Balance for all QIBs including Mutual Funds	18,566,147 Equity Shares
B) Non-Institutional Portion	Not less than 5,862,995 Equity Shares
C) Retail Portion	Not less than 13,680,320 Equity Shares
Equity Shares outstanding prior to the Issue	79,357,700 Equity Shares**
Equity Shares outstanding after the Issue	118,444,328 Equity Shares
Use of Issue Proceeds	See “ <b>Objects of the Issue</b> ” on page 31

\* Our Company, in consultation with the BRLM, may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For more information see “**Issue Procedure**” on page 187. Except with respect to the Anchor Investor Portion, allocation shall be made on a proportionate basis.

\*\* Up to 4,349,718 additional Equity Shares may be issued on exercise of stock options under the employee stock option purchase scheme, 2011, established by our Company (the “**ESOP Scheme**”). For more information, see “**Capital Structure**” on page 18.

### **Notes:**

1. Allocation to all categories, except the Anchor Investor Portion, if any, shall be made on a proportionate basis.
2. Any under-subscription in any category would be allowed to be met with spill-over from other categories or combination of categories at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange.
3. The Issue has been authorised by the Board of Directors pursuant to a board resolution dated June 28, 2011 and by the shareholders of our Company pursuant to a special resolution dated July 12, 2011 passed at the EGM of shareholders under Section 81(1A) of the Companies Act. The Board of Directors, pursuant to a board resolution dated July 12, 2011, has approved the size of the Issue.
4. The Issue comprises 33% of our post-Issue Equity Share capital.

For more information, see “**Terms of the Issue**” on page 184.



## GENERAL INFORMATION

Our Company was incorporated on December 14, 1995 in New Delhi under the Companies Act as a public limited company under the name 'Foremost Factors Limited' with the RoC. Our Company received its certificate for commencement of business on January 5, 1996. Pursuant to a resolution passed by our shareholders on December 16, 2008, the name of our Company was changed to 'IFCI Factors Limited', and a fresh certificate of incorporation was issued on January 7, 2009. For more information on the change in our name and more information on the changes in our Office, see "*History and Certain Corporate Matters*" on page 76.

### Registered and Corporate Office

The Office of our Company is situated at the following address:

***IFCI Factors Limited***

9<sup>th</sup> Floor, IFCI Tower

61, Nehru Place

New Delhi 110 019

India

Tel: (+91 11) 4173 2000

Fax: (+91 11) 4652 1435

Set forth below are the registration number and corporate identity number of our Company:

Details	Registration/Identification number
Registration Number	074649
Corporate Identity Number	U74899DL1995PLC074649

### Registrar of Companies

Our Company is registered with the Registrar of Companies, National Capital Territory of Delhi and Haryana, which is situated at the following address:

***Registrar of Companies, National Capital Territory of Delhi and Haryana***

4th Floor, IFCI Tower

61, Nehru Place

New Delhi 110 019

India

### Board of Directors

Set forth below are the details in respect of the Board of Directors of our Company as on the date of the filing of this Draft Red Herring Prospectus:

Name, Designation, Occupation, Term and DIN	Age (years)	Address
Atul Kumar Rai	50	4, Flag Staff Road, Civil Lines, New Delhi 110 054
<b>Designation:</b> Chairman		
<b>Occupation:</b> Service		
<b>Term:</b> Liable to retire by rotation		
<b>DIN:</b> 00134638		
Sujit Kumar Mandal	60	Flat No. 748, Makhan Singh Block, Asian Games Village Complex, New Delhi 110 049
<b>Designation:</b> Non-executive Director		
<b>Occupation:</b> Service		
<b>Term:</b> Liable to retire by rotation		

Name, Designation, Occupation, Term and DIN	Age (years)	Address
<b>DIN: 00086235</b>		
Tarun Kumar Ray <b>Designation:</b> Non-executive Director <b>Occupation:</b> Service <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 00050882	52	A 28, Ranjit Singh Block, Asian Games Village Complex, New Delhi 110 049
Rakesh Kapoor <b>Designation:</b> Managing Director <b>Occupation:</b> Service <b>Term:</b> Until attaining the age of 58 years, on July 23, 2013 <b>DIN:</b> 00015358	56	186, Madanlal Block, Asian Games Village Complex, New Delhi 110 049
Baleshwar Rai <b>Designation:</b> Independent Director <b>Occupation:</b> Retired <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 02817198	65	B 42, Aditi Apartments, I.P. Extension, New Delhi 110 092
Raju Sharma <b>Designation:</b> Independent Director <b>Occupation:</b> Service <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 03492179	52	A 16, Teachers' Flats, St. Stephens College, New Delhi 110 007
Vinod Kumar Gupta <b>Designation:</b> Independent Director <b>Occupation:</b> Service <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 03491240	64	S 238, Ground Floor, Uppal Southend, Sohna Road, Gurgaon 122 001
Shrawan Nigam <b>Designation:</b> Independent Director <b>Occupation:</b> Retired <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 01942618	65	316, Jahaz Apartments, Inder Enclave, Paschim Vihar, New Delhi 110 087

For more information, see “*Our Management*” on page 79.

## **Company Secretary and Compliance Officer**

### ***Vijay Dhingra, Senior Manager (Legal and Secretarial) and Company Secretary***

IFCI Factors Limited  
9<sup>th</sup> Floor, IFCI Tower  
61, Nehru Place  
New Delhi 110 019  
India  
Tel: (+91 11) 4641 2833  
Fax: (+91 11) 4652 1435  
E-mail: vijaydhingra@ifcifactors.com

Investors can contact the Compliance Officer, the BRLM or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems, such as non-receipt of Allotment Advice, or non-credit of allotted Equity Shares in the respective beneficiary account or non-receipt of refund orders.

## **Book Running Lead Manager**

### ***Enam Securities Private Limited***

801, Dalamal Towers  
Nariman Point  
Mumbai 400 021  
India  
Tel: (+91 22) 6638 1800  
Fax: (+91 22) 2284 6824  
E-mail: ifl.ipo@enam.com  
Investor Grievance E-mail: complaints@enam.com  
Website: www.enam.com  
Contact Person: Kanika Sarawgi  
SEBI Registration No.: INM000006856

## **Legal Counsel to the Issue**

### ***Amarchand & Mangaldas & Suresh A. Shroff & Co.***

Amarchand Towers  
216, Okhla Industrial Estate, Phase-III  
New Delhi 110 020  
India

## **Registrar to the Issue**

### ***Link Intime India Private Limited***

C-13, Pannalal Silk Mills Compound  
L.B.S Marg, Bhandup (West)  
Mumbai 400 078, India  
Tel: (+91 22) 2596 0320  
Fax: (+91 22) 2596 0329/1800 22 0320  
E-mail: ifci.ipo@linkintime.co.in  
Investor Grievance E-mail: ifci.ipo@linkintime.co.in  
Website: www.linkintime.co.in  
Contact Person: Sanjog Sud  
SEBI Registration No.: INR000004058

## **Self Certified Syndicate Banks**

The list of banks that have been notified by SEBI to act as SCSBs for the Applications Supported by Blocked Amount (“ASBA”) process is available at [www.sebi.gov.in/pmd/scsb.html](http://www.sebi.gov.in/pmd/scsb.html). For more information on the Designated Branches of SCSBs collecting the Bid cum Application Form, see the above-mentioned link. The list of designated Syndicate ASBA branches at the Syndicate ASBA Bidding Locations (meaning Bidding centers at Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat

where the members of the Syndicate shall accept Bid cum Application Forms in terms of the SEBI Circular No. CIR/CFD/DIL/1/2011 dated April 29, 2011) is available at [www.sebi.gov.in/pmd/scsb-asba.html](http://www.sebi.gov.in/pmd/scsb-asba.html).

### **Bankers to the Company**

#### ***Chinatrust Commercial Bank***

A1/16, Wenger House  
Rajiv Chowk, Connaught Place  
New Delhi 110 001  
India  
Tel: (+91 11) 4368 8821/4368 8888  
Fax: (+91 11) 2373 1815  
Contact Person: Anjali Bindal  
E-mail: [anjali@chinatrust.com](mailto:anjali@chinatrust.com)  
Website: [www.chinatrustindia.com](http://www.chinatrustindia.com)

#### ***Dena Bank***

35 -36, Aggarwal Bhawan  
Nehru Place  
New Delhi 110 019  
India  
Tel: (+91 11) 2648 5887  
Fax: (+91 11) 2647 9877  
Contact Person: Pankaj B. Gupta  
E-mail: [nehrup@denabank.co.in](mailto:nehrup@denabank.co.in)  
Website: [www.denabank.com](http://www.denabank.com)

#### ***Axis Bank Limited***

Statesman House, 148  
Barakhamba Road  
New Delhi 110 001  
India  
Tel: (+91 11) 4355 6451  
Fax: (+91 11) 4350 6565  
Contact Person: Sushil Kumar  
E-mail: [kumar.sushil@axisbank.com](mailto:kumar.sushil@axisbank.com)  
Website: [www.axisbank.com](http://www.axisbank.com)

#### ***IDBI Bank***

CC- 22, Hotel Conclave Executive  
Kalkaji  
New Delhi 110 019  
India  
Tel: (+91 11) 6464 1927/6464 1942  
Fax: (+91 11) 2642 1315  
Contact Person: Srinivas Bagalkot  
E-mail: [srinivas.bagalkot@idbi.co.in](mailto:srinivas.bagalkot@idbi.co.in)  
Website: [www.idbi.co.in](http://www.idbi.co.in)

#### ***Punjab National Bank***

CC 21, Nehru Enclave  
New Delhi 110 019  
India  
Tel: (+91 11) 2644 2961/4130 6080  
Fax: (+91 11) 2648 5318  
Contact Person: Atulya Kumar  
E-mail: [bo1529@pnb.co.in](mailto:bo1529@pnb.co.in)

#### ***Canara Bank***

Prime Corporate Branch-II  
2<sup>nd</sup> Floor, World Trade Tower  
Barakhamba Lane  
New Delhi 110 001  
India  
Tel: (+91 11) 2341 4202/2341 4560  
Fax: (+91 11) 2341 1590  
Contact Person: A.K. Jindal  
E-mail: [akjindal@canarabank.com](mailto:akjindal@canarabank.com)/  
[dgmcb1942@canarabank.com](mailto:dgmcb1942@canarabank.com)  
Website: [www.canarabank.com](http://www.canarabank.com)

#### ***IndusInd Bank Limited***

3<sup>rd</sup> Floor, Tower 10B  
DLF Cyber City, Sector 25A  
Gurgaon 122 002  
India  
Tel: (+91 124) 474 9500  
Fax: (+91 124) 474 9596  
Contact Person: Shishir Agrawal  
E-mail: [shishir.agrawal@indusind.com](mailto:shishir.agrawal@indusind.com)  
Website: [www.indusind.com](http://www.indusind.com)

#### ***Oriental Bank of Commerce***

H-15, Connaught Circus  
New Delhi 110 001  
India  
Tel: (+91 11) 2331 6777  
Fax: (+91 11) 2373 8723  
Contact Person: Manoj Saxena  
E-mail: [bm0633@obc.co.in](mailto:bm0633@obc.co.in)  
Website: [www.obcindia.com](http://www.obcindia.com)

#### ***HDFC Bank***

FIG-OPS Department-Lodha  
I Think Techno Campus, O-3 Level  
Next to Kanjumarg Railway Station, Kanjumarg (East)  
Mumbai 400 042  
India  
Tel: (+91 22) 3075 2928  
Fax: (+91 22) 2579 9801  
Contact Person: Deepak Rane  
E-mail: [deepak.rane@hdfcbank.com](mailto:deepak.rane@hdfcbank.com)  
Website: [www.hdfcbank.com](http://www.hdfcbank.com)

#### ***Royal Bank of Scotland***

15, Hansalaya Building,  
Barakhamba Road  
New Delhi 110 001  
India  
Tel: (+91 124) 418 1818  
Fax: (+91 124) 418 1212  
Contact Person: Noopur Nath

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

E-mail: [noopur.nath@rbs.com](mailto:noopur.nath@rbs.com)

Website: [www.rbs.com/gbm](http://www.rbs.com/gbm)

***Syndicate Bank***

59, Shakuntala Apartments

Nehru Place

New Delhi 110 019

India

Tel: (+91 11) 2622 8261

Fax: (+91 11) 2646 1388

Contact Person: B. Ganesh Pai

E-mail: [dl.9044delnp@syndicatebank.co.in](mailto:dl.9044delnp@syndicatebank.co.in)

Website: [www.syndicatebank.co.in](http://www.syndicatebank.co.in)

**Bankers to the Issue**

[●]

**Refund Bank**

[●]

**Statutory Auditors to our Company**

***S. N. Dhawan & Co.***

C-37, Connaught Place

New Delhi 110 001

India

Tel: (+91 11) 4368 4444

Fax: (+91 11) 4368 4445

E-mail: [contacts@mazars.co.in](mailto:contacts@mazars.co.in)

Firm registration No: 000050N

**IPO Grading Agency**

[●]

**IPO Grading**

This Issue has been graded by [●] and has been assigned a grade of [●] indicating [●] fundamentals. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO Grade 5 indicating strong fundamentals and IPO Grade 1 indicating poor fundamentals. For the disclaimer and rationale furnished by [●], see “*Annexure I*”.

**Credit Rating**

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

**Trustees**

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

**Monitoring Agency**

As the size of the Issue is less than ₹ 5,000 million, the appointment of a monitoring agency is not required.

**Appraising Agency**

No appraising agency has been appointed in respect of any project of our Company.

**Experts**



Except for the report of [●] in respect of the IPO Grading of this Issue (a copy of which will be annexed to the Red Herring Prospectus as Annexure I), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and except for the reports of the Auditors of our Company on the restated financial statements and the ‘Statement of Tax Benefits’, included in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

### Statement of Responsibilities as BRLM to the Issue

Enam Securities Private Limited (“Enam”) is the sole BRLM to the Issue. Enam shall be responsible for the following activities in relation to the Issue:

S.No.	Activity
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.
2.	Due diligence of Company's operations/management/business plans/legal etc. Drafting and design of Red Herring Prospectus including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI, including finalisation of Prospectus and RoC filing.
3.	Drafting and approval of all statutory advertisement
4.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in 3 above including corporate advertisement, brochure etc.
5.	Appointment of other intermediaries viz., Registrar to the Issue's, Printers, Advertising Agency and Bankers to the Issue
6.	International institutional marketing strategy <ul style="list-style-type: none"> <li>Preparation of road show presentation</li> <li>Finalize the list and division of investors for one to one meetings, in consultation with the Company, and</li> <li>Finalising the International road show schedule and investor meeting schedules</li> </ul>
7.	Domestic institutions/banks/mutual funds marketing strategy <ul style="list-style-type: none"> <li>Finalize the list and division of investors for one to one meetings, institutional allocation in consultation with the Company.</li> <li>Finalising the list and division of investors for one to one meetings, and</li> <li>Finalising investor meeting schedules</li> </ul>
8.	Non-Institutional and Retail marketing of the Issue, which will cover, inter alia, <ul style="list-style-type: none"> <li>Formulating marketing strategies, preparation of publicity budget</li> <li>Finalize Media and PR strategy</li> <li>Finalising centers for holding conferences for press and brokers</li> <li>Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material</li> </ul>
9.	Co-ordination with Stock Exchanges for Book Building software, Bidding terminals and mock trading.
10.	Finalisation of pricing, in consultation with the Company
11.	The post Bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. The post Issue activities for the Issue involving essential follow up steps, which include the finalisation of trading and dealing of instruments and dematerialization of delivery of Equity Shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank(s) handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.

### Book Building Process

The Book Building Process, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Price Band and the minimum Bid lot size for the Issue will be decided by our Company in consultation with the BRLM, and advertised in [●] editions of [●] and [●] editions of [●] (one in English and one in Hindi, which is also the regional newspaper in the city where our Office is located) at least two Working Days prior to the Bid/Issue Opening Date. The Issue Price is finalized after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- Our Company;
- BRLM;
- Syndicate Member(s), which are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Member(s) are appointed by the BRLM;
- Registrar to the Issue;
- Escrow Collection Banks; and

- SCSBs.

This Issue is being made through the Book Building Process where up to 50% of the Issue will be available for allocation to QIBs on a proportionate basis, provided that our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price, on a discretionary basis, of which at least one-third will be available for allocation to Mutual Funds. Further, 5% of the QIB Portion (excluding the Anchor Investor Portion) will be available for allocation on a proportionate basis to Mutual Funds. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% and 35% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price.

**QIBs and the Non-Institutional Bidders can participate in this Issue only through the ASBA process and Retail Individual Bidders have the option to participate through the ASBA process or non-ASBA process at their discretion. Anchor Investors are not permitted to participate through the ASBA process.**

**In accordance with the SEBI ICDR Regulations, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.** Anchor Investors are not allowed to withdraw their Bids after the Anchor Investor Bidding Date. Allocation to the Anchor Investors will be on a discretionary basis. For more information, see “*Issue Structure*” on page 181.

We will comply with the SEBI ICDR Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLM to manage the Issue and procure subscriptions to the Issue.

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

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

Bid Quantity	Bid Amount (₹)	Cumulative Quantity	Subscription
500	24	500	16.70%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.70%
2,500	20	7,500	250.00%

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

#### Steps to be taken by the Bidders for Bidding

1. Check eligibility for making a Bid (For more information, see “*Issue Procedure - Who Can Bid*” on page 189).
2. Ensure that you have a beneficiary account and the beneficiary account details are correctly mentioned in the Bid cum Application Form, as applicable.
3. Except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form (see “*Issue Procedure – ‘PAN’ or ‘GIR’ Number*” on page 206).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring

Prospectus and in the Bid cum Application Form.

5. Bids by ASBA Bidders will have to be submitted to the designated branches of the SCSBs or to the members of the Syndicate at the Syndicate ASBA Bidding Locations (meaning Bidding centres at Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat where the members of the Syndicate shall accept Bid cum Application Forms in terms of the SEBI Circular No. CIR/CFD/DIL/1/2011 dated April 29, 2011). Ensure that the SCSB where the ASBA Account (as specified in the Bid cum Application Form) is maintained has named at least one branch at that location for the members of the Syndicate to deposit Bid cum Application Forms (a list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>).
6. ASBA Bidders should ensure that the respective ASBA Accounts have adequate credit balance at the time of submission to the SCSBs to ensure that the Bid cum Application Form is not rejected.

### Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before the Allotment. If our Company withdraws the Issue, it shall issue a public notice, within two days, providing reasons for not proceeding with the Issue. The BRLM through the Registrar to the Issue, shall notify the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such notification. The notice of withdrawal shall be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchanges shall also be informed promptly.

If our Company withdraws the Issue after the Bid/Issue Closing Date and thereafter determines that it will proceed with an initial public offering of Equity Shares, it shall file a fresh draft red herring prospectus with SEBI.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for within 12 Working Days from the Bid/Issue Closing Date; and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

### Bid/Issue Program

<b>BID/ISSUE OPENING DATE*</b>	<input type="text"/>
<b>BID/ISSUE CLOSING DATE**</b>	<input type="text"/>

\* Anchor Investors, if any, shall submit their Bid on the Anchor Investor Bidding Date, which is one Working Day prior to the Bid/Issue Opening Date.

\*\*Our Company in consultation with the BRLM, may decide to close the Bidding for QIBs one day prior to the Bid/Issue Closing Date.

Except in relation to Anchor Investors, Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bid/Issue Period at the Bidding centres mentioned in the Bid cum Application Form, or in the case of ASBA Bidders, at the Designated Branches or at the branches of the members of the Syndicate at the Syndicate ASBA Bidding Locations, as the case may be, **except that on the Bid/Issue Closing Date (which for QIBs may be a day prior to the Bid/Issue Closing Date for other non-QIB Bidders), Bids will be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 5.00 p.m. (Indian Standard Time) in case of Bids by QIB Bidders and Retail Individual Bidders; and (ii) 4.00 p.m. (Indian Standard Time) by Non-Institutional Bidders. On the Bid Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms or ASBA Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within 30 minutes of such closure. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public issues, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, the Syndicate and the SCSBs shall not be responsible. Bids will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday). Bids by ASBA Bidders shall be uploaded by the SCSBs in the electronic system to be provided by the Stock Exchanges.

On the Bid/Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

Our Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI ICDR Regulations. The Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the Floor Price can move up or down to the extent of 20% of the Floor Price as disclosed at least two Working Days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.

**In case of revision in the Price Band, the Bid/Issue Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate.**

### Underwriting Agreement

After the determination of the Issue Price but prior to the filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through 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 any Syndicate Member does not fulfill its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The Underwriting Agreement is dated [●]. 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*

(Amount in ₹million)		
Name, address, telephone, fax and e-mail of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten
[●]	[●]	[●]
[●]	[●]	[●]

The abovementioned is indicative underwriting and this would be finalized after the pricing and actual allocation and subject to the provisions of Regulation 13(2) of the SEBI ICDR Regulations.

In the opinion of our Board of Directors (based on a representation made to the Company by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments set forth in the table above. Notwithstanding the above table, the Underwriters 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 subscriptions for/subscribe to Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement.

## CAPITAL STRUCTURE

The Equity Share capital of our Company as on the date of this Draft Red Herring Prospectus is set forth below:

	Aggregate value at face value	Aggregate value at Issue Price
<b>A) Authorised Share Capital*</b>		
150,000,000 Equity Shares of ₹ 10 each	1,500,000,000.00	-
<b>B) Issued, subscribed and paid-up share capital prior to the Issue</b>		
79,357,700 Equity Shares of ₹ 10 each	793,577,000.00	-
<b>C) The Issue**</b>		
39,086,628 Equity Shares of ₹ 10 each	390,866,280.00	[●]
<b>Of which:</b>		
QIB Portion of up to 19,543,313 Equity Shares of ₹ 10 each	195,433,130.00	[●]
Non-Institutional Portion of not less than 5,862,995 Equity Shares of ₹ 10 each	58,629,950.00	[●]
Retail Portion of not less than 13,680,320 Equity Shares of ₹ 10 each	136,803,200.00	[●]
<b>D) Issued, subscribed and paid-up share capital after the Issue</b>		
118,444,328 Equity Shares of ₹ 10 each	1,184,443,280.00	[●]
<b>E) Share Premium Account</b>		
Before the Issue		121,089,708.00
After the Issue		[●]

\* For more information on changes in our authorised share capital, see "History and Certain Corporate Matters" on page 76.

\*\* The Issue has been authorised pursuant to resolution of our Board of Directors at its meeting held on June 28, 2011 and our shareholders at their meeting held on July 12, 2011 pursuant to Section 81(1A) of the Companies Act

### Notes to Capital Structure

#### 1. Share Capital History of our Company

(a) Set forth below is the Equity Share capital history of our Company:

Date of Issue/Allotment	No. of Equity Shares	Face Value (₹)	Issue Price (₹)	Consideration in Cash/Other than Cash	Nature of Allotment	Cumulative Equity Share Capital
December 14, 1995	700	10	10	Cash	Subscription to the Memorandum of Association	7,000
April 5, 1996	1,000	10	10	Cash	Preferential allotment	17,000
January 15, 1997	12,498,300	10	10	Cash	Preferential allotment	125,000,000
April 23, 1999	2,500,000	10	10	Cash	Preferential allotment	150,000,000
April 28, 1999	5,000,000	10	10	Cash	Preferential allotment	200,000,000
December 10, 2008	59,357,700	10	12.04	Cash	Rights issue in the ratio of 3:1	793,577,000
<b>Total</b>						<b>793,577,000</b>

(b) As on the date of this Draft Red Herring Prospectus, our Company does not have any preference share capital.



## 2. Issue of Equity Shares for Consideration other than Cash

As on the date of this Draft Red Herring Prospectus, our Company has not issued any Equity Shares for consideration other than cash or issued any Equity Shares out of revaluation reserves.

## 3. Issue of Equity Shares in the last one year

Our Company has not issued any Equity Shares in the last year.

## 4. Employee Stock Options

Pursuant to a resolution of our Board of Directors dated April 26, 2011, and shareholders' resolution dated July 12, 2011, our Company has instituted the ESOP Scheme, under which options can be granted to eligible employees of our Company exercisable into such number of Equity Shares being not more than 8% of the paid-up equity share capital of the Company at any point in time and not more than 2% of the paid-up Equity Share capital within such overall limit of 8% may be issued to the eligible employees and directors of our holding company, IFCI. As of July 14, 2011, our Company has granted all 4,349,718 options convertible into 4,349,718 Equity Shares of face value of ₹ 10 each to eligible employees under the ESOP Scheme of which none have been cancelled and none have vested, lapsed or been exercised.

Particulars		Details		
Options granted		Date of grant	No. of options granted	Price per Equity Share (₹)
	Grant I	July 14, 2011	3,187,710	16.35
	Grant II	July 14, 2011	1,162,008	16.35
		Total options granted	4,349,718	
Pricing formula		The prevailing fair market value of the Equity Shares as determined by an independent valuer appointed by the Board of Directors.		
Vesting period		Grant I		
		<ul style="list-style-type: none"><li>- 10% vesting at the end of the first year from date of grant;</li><li>- 20% vesting at the end of the second year from date of grant;</li><li>- 30% vesting at the end of the third year from date of grant; and</li><li>- 40% vesting at the end of the fourth year from date of grant.</li></ul>		
		The vesting of options pursuant to the ESOP Scheme under Grant I is linked to continued employment with our Company and fulfillment of performance parameters as determined by the Remuneration Committee.		
		Grant II		
		<ul style="list-style-type: none"><li>- 50% vesting at the end of the first year from date of grant; and</li><li>- 50% vesting at the end of the second year from date of grant.</li></ul>		
		The vesting of options pursuant to the ESOP Scheme under Grant II is linked to continued employment with our Promoter.		

Particulars	Details	
Options vested (excluding the options that have been exercised)	Nil	
Options exercised	Nil	
The total number of shares arising as a result of exercise of options (including options that have been exercised)	Nil	
Options forfeited/lapsed/cancelled	Nil	
Variation of terms of options	None	
Money realized by exercise of options	Nil	
Total number of options in force	4,349,718	
Employee wise details of options granted to Directors/Senior management personnel	<b>Name of our Director</b>	<b>No. of options granted under ESOP Scheme</b>
	Rakesh Kapoor	419,074
	Sujit Kumar Mandal	400,000
	Tarun Kumar Ray	381,004
	<b>Total</b>	<b>1,200,078</b>
	<b>Name of the Senior Management Personnel</b>	<b>No. of options granted under ESOP Scheme</b>
	Soumendra Ghosh	174,613
	Ashish Gupta	136,655
	Amit Kaul	167,022
	Vijay Dhingra	106,287
	Jana Raj Jain	182,206
	<b>Total</b>	<b>766,783</b>
	<b>Name of Employee</b>	<b>No. of options granted under ESOP Scheme</b>
	Shashi Sharma <sup>#</sup>	381,004
	<b>Total</b>	<b>381,004</b>
Any other employee who receives a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil	
Identified employees who were granted options during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Nil	
Fully diluted EPS pursuant to issue of shares on exercise of options in accordance with the relevant accounting standard	Not Applicable	
Difference, if any, between employee compensation cost calculated according using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options and impact on the profits of our Company and on the EPS arising due to difference in accounting treatment and for calculation of the employee compensation cost (i.e. difference of the fair value of stock options over the intrinsic value of the stock options)	If the Company had followed fair value method for accounting the stock options, compensation cost would have been higher by ₹ 0.49 crores for Financial Year 2011-12. Consequently Profit after tax for Financial Year 2011-12 would have been lower by ₹ 0.49 crores and accordingly earnings per share would get diluted to the extent of stock options granted.	
Weighted average exercise price and the weighted average fair value of options whose exercise price either equals or exceeds or is less than the market price of the stock	<b>Weighted average exercise price of Options granted during the year whose:</b>	
	Exercise price equals market price on the date of grant	₹ 16.35 per option
	Exercise price is greater than market price on the date of grant	Not Applicable
	Exercise price is less than market price on the date of grant	Not Applicable
	<b>Weighted average fair value of options granted during the year</b>	

Particulars	Details	
	<b>whose:</b>	
	Exercise price equals market price on the date of grant	₹ 3.35 per option
	Exercise price is greater than market price on the date of grant	Not Applicable
	Exercise price is less than market price on the date of grant	Not Applicable
Method and significant assumptions used to estimate the fair value of options granted during the year	The fair value of the options has been calculated using the Black Schools Options Pricing Model and the significant assumptions used for the Grant are as follows:	
<b>Method used</b>	<b>Grant I</b>	<b>Grant II</b>
Risk free return	8.28%	8.32%
Expected life	4 years	2.50 years
Expected volatility	Since the company was unlisted at the time of grant, volatility has been taken as zero	Since the company was unlisted at the time of grant, volatility has been taken as zero
Expected dividends	1.65%	1.65%
Exercise Price	₹ 16.35	₹ 16.35
Price of underlying shares in market at the time of the options grant (as on July 14, 2011)	₹ 16.35	₹ 16.35
Based on the above assumptions, the Fair Value per option for Grant I is ₹ 3.68 and for Grant II is ₹ 2.43.		
Intention of the holders of Equity Shares allotted on exercise of options to sell their shares within three months after the listing of Equity Shares pursuant to the Issue	No employee intends to sell any shares arising out of any stock options granted to him/her within three months after the date of listing of the equity shares of the Company.	
Intention to sell Equity Shares arising out of the ESOP Scheme within three months after the listing of Equity Shares by directors, senior management personnel and employees having Equity Shares arising out of the ESOP Scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	Not Applicable	
Impact on the profits and on the Earnings Per Share of the last three years if the issuer had followed the accounting policies specified in clause 13 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 in respect of options granted in the last three years.	Options have been granted only in the fiscal 2011-12 and the impact on the profits and on the Earnings Per Share for that year has been provided above.	

#Employee of our Promoter

## 5. Build-up of our Promoter's shareholding, Promoter's contribution and lock-in

Pursuant to the SEBI ICDR Regulations, an aggregate of 20% of the post-Issue Equity Share capital of our Company shall be locked in by our Promoter for a period of three years from the date of Allotment.

### (i) Build-up of our Promoter's shareholding in our Company

As on the date of this Draft Red Herring Prospectus, our Promoter, including through its nominees, holds 79,154,700 Equity Shares, equivalent to 99.74% of the issued, subscribed and paid-up Equity Share capital of our Company. Set forth below is the build-up of the shareholder of our Promoter in our Company since the incorporation of our Company.

Date of Allotment/Transfer	Consideration in Cash/Other than Cash	Nature of Allotment/Acquisition	No. of Equity Shares	Face Value (₹)	Consideration per Equity Share (₹)
April 23, 1999	Cash	Acquisition from T.C.F.C. Finance Limited	1,500,000	10	7.00
		Preferential allotment	750,000	10	10.00
April 28, 1999	Cash	Preferential allotment	5,000,000	10	10.00
March 3, 2003	Cash	Acquisition from Bank of America Overseas Corporation (“BOAOC”) <sup>#</sup>	2,718,750	10	0.23
May 15, 2008	Cash	Acquisition from Mohan Exports (India) Private Limited (“Mohan Exports”) <sup>#</sup>	9,330,050	10	12.04
August 5, 2008	Cash	Acquisition from R.K. Bajaj	1,000	10	12.04
		Acquisition from Rajdeep Malhotra	2,000	10	12.04
		Acquisition from Anuj Puri	1,000	10	12.04
		Acquisition from Devinder Singh	1,500	10	12.04
		Acquisition from D.C. Srivastava	500	10	12.04
		Acquisition from T.S. Narayanaswamy	1,000	10	12.04
		Acquisition from Independent Investment Company	500	10	12.04
		Acquisition from Rajendar Yadav	1,000	10	12.04
		Acquisition from Kanwal Nain Kaur	2,500	10	12.04
		Acquisition from Harbans Singh	2,500	10	12.04
		Acquisition from Joyamma Johan	1,000	10	12.04
		Acquisition from Vinod Chandok	60,000	10	12.04
		Acquisition from Shakuntala Devi	40,000	10	12.04
		Acquisition from Anuradha Vaidhya	1,000	10	12.04
		Acquisition from Hazel Francis	20,000	10	12.04
		Acquisition from K.S. Bains	40,000	10	12.04
		Acquisition from S.C. Jain	1,000	10	12.04
		Acquisition from Dharam Pal Dudeja	1,000	10	12.04
		Acquisition from Oriental Structural Engineers Private Limited	110,000	10	12.04
		Acquisition from Neeru Puri	100	10	12.04
		Acquisition from Srivastava Pyare Mohan	3,000	10	12.04
		Acquisition from Sushma Verma	10,000	10	12.04
		Acquisition from Karan Anand and Pushkar Anand	5,000	10	12.04
		Acquisition from Karan Anand and Veer Anand	5,000	10	12.04
		Acquisition from Shresht C. Mahindru	2,500	10	12.04
		Acquisition from Kiran Mahindru	3,500	10	12.04
		Acquisition from Surinder Lal Jain	10,000	10	12.04

Date of Allotment/Transfer	Consideration in Cash/Other than Cash	Nature of Allotment/Acquisition	No. of Equity Shares	Face Value (₹)	Consideration per Equity Share (₹)
		Acquisition from Pradeep Kumar	1,000	10	12.04
		Acquisition from Pradeep Kumar and Nisha Sharma	1,000	10	12.04
		Acquisition from V.L.S. Finance Limited	40,000	10	12.04
		Acquisition from E.R. Seshadri	2,500*	10	12.04
November 5, 2008	Cash	Acquisition from Cotton Land (Hindu Undivided Family ("HUF"))	110,000	10	12.04
		Acquisition from Surinder Lal Malik	5,000	10	12.04
		Acquisition from Amitabh Agarwal	1,000	10	12.04
December 10, 2008	Cash	Acquisition from Bimal Kumar Luthra	1,000	10	12.04
		Acquisition from J.P. Kundra	100	10	12.04
		Rights issue	59,357,700	10	12.04
February 2, 2009	Cash	Acquisition from Burr Brown (India) Limited	10,000	10	12.04
<b>TOTAL</b>			<b>79,154,700</b>		

\* Of which, eight Equity Shares were transferred to Avinash Kumar, Saravjeet Kaur, S.K. Vats, B.N. Nayak, S.K. Bhatia, Gopal Singh, S.K. Bhandari and S.P. Arora, the nominees of our Promoter.

# See "History and Certain Corporate Matters" on page 76.

## (ii) Shareholding of our Promoter and our Promoter Group

The table below presents the shareholding pattern of our Promoter and Promoter Group as on the date of filing of this Draft Red Herring Prospectus:

Shareholders	Pre-Issue		Post-Issue*	
	No. of Equity Shares	Percentage	No. of Equity Shares	Percentage
<b>Promoter</b>				
IFCI	79,154,700**	99.74	79,154,700**	66.83%
<b>Sub Total (A)</b>	<b>79,154,700**</b>	<b>99.74</b>	<b>79,154,700**</b>	<b>66.83%</b>
<b>Promoter Group</b>	Nil	Nil	Nil	Nil
<b>Sub Total (B)</b>	Nil	Nil	Nil	Nil
<b>Total Promoter and Promoter Group ((A) + (B))</b>	<b>79,154,700**</b>	<b>99.74</b>	<b>79,154,700**</b>	<b>66.83%</b>

\* Assuming none of the shareholders participate in the Issue

\*\* Including eight Equity Shares held by Avinash Kumar, Saravjeet Kaur, S.K. Vats, B.N. Nayak, S.K. Bhatia, Gopal Singh, S.K. Bhandari and S.P. Arora, the nominees of our Promoter.

## (iii) Details of Promoter's Contribution Locked-in for Three Years

Pursuant to the SEBI ICDR Regulations, an aggregate of 20% of the post-Issue Equity Share capital of our Company shall be locked in by our Promoter for a period of three years from the date of Allotment. All Equity Shares of our Company held by our Promoter are eligible for Promoter's contribution.

Accordingly, 23,688,866 Equity Shares, aggregating up to 20% of the post-Issue capital of our Company, held by our Promoter, shall be locked in for a period of three years from the date of Allotment in the Issue, as follows:

Date of Allotment/Transfer	Consideration in Cash/Other than Cash	Nature of Allotment/Acquisition	No. of Equity Shares	Face Value (₹)	Consideration per Equity Share (₹)	No. of Equity Shares being locked in	% of Post Issue Paid Up Capital
April 23, 1999	Cash	Acquisition from T.C.F.C. Finance Limited	1,500,000	10	7.00	1,500,000	1.27
		Preferential allotment	750,000	10	10.00	750,000	0.63
April 28, 1999	Cash	Preferential allotment	5,000,000	10	10.00	5,000,000	4.22
March 3, 2003	Cash	Acquisition from BOAOC <sup>#</sup>	2,718,750	10	0.23	2,718,750	2.30
May 15, 2008	Cash	Acquisition from Mohan Exports <sup>#</sup>	9,330,050	10	12.04	9,330,050	7.88
August 5, 2008	Cash	Acquisition from R.K. Bajaj	1,000	10	12.04	1,000	0.00
		Acquisition from Pradeep Malhotra	2,000	10	12.04	2,000	0.00
		Acquisition from Anju Puri	1,000	10	12.04	1,000	0.00
		Acquisition from Davinder Singh	1,500	10	12.04	1,500	0.00
		Acquisition from D.C. Srivastav	500	10	12.04	500	0.00
		Acquisition from T.S. Narayanaswamy	1,000	10	12.04	1,000	0.00
		Acquisition from Independent Investment Company	500	10	12.04	500	0.00
		Acquisition from Rajendar Yadav	1,000	10	12.04	1,000	0.00
		Acquisition from Kanwal Nain Kaur	2,500	10	12.04	2,500	0.00
		Acquisition from Harbans Singh	2,500	10	12.04	2,500	0.00
		Acquisition from Joyamma Johan	1,000	10	12.04	1,000	0.00
		Acquisition from Vinod Chandok	60,000	10	12.04	60,000	0.05
		Acquisition from Shakuntala Devi	40,000	10	12.04	40,000	0.03
		Acquisition from Anuradha Vaidhya	1,000	10	12.04	1,000	0.00
		Acquisition from Hazel Francis	20,000	10	12.04	20,000	0.02
		Acquisition from K.S. Bains	40,000	10	12.04	40,000	0.03



Date of Allotment/Transfer	Consideration in Cash/Other than Cash	Nature of Allotment/Acquisition	No. of Equity Shares	Face Value (₹)	Consideration per Equity Share (₹)	No. of Equity Shares being locked in	% of Post Issue Paid Up Capital
		Acquisition from S.C. Jain	1,000	10	12.04	1,000	0.00
		Acquisition from Dharam Pal Dudeja	1,000	10	12.04	1,000	0.00
		Acquisition from Oriental Structural Engineers Private Limited	110,000	10	12.04	110,000	0.09
		Acquisition from Neeru Puri	100	10	12.04	100	0.00
		Acquisition from Srivastava Pyare Mohan	3,000	10	12.04	3,000	0.00
		Acquisition from Sushma Verma	10,000	10	12.04	10,000	0.01
		Acquisition from Karan Anand and Pushkar Anand	5,000	10	12.04	5,000	0.00
		Acquisition from Karan Anand and Veer Anand	5,000	10	12.04	5,000	0.00
		Acquisition from Shresht C. Mahindru	2,500	10	12.04	2,500	0.00
		Acquisition from Kiran Mahindru	3,500	10	12.04	3,500	0.00
		Acquisition from Surinder Lal Jain	10,000	10	12.04	10,000	0.01
		Acquisition from Pradeep Kumar	1,000	10	12.04	1,000	0.00
		Acquisition from Pradeep Kumar and Nisha Sharma	1,000	10	12.04	1,000	0.00
		Acquisition from V.L.S. Finance Limited	40,000	10	12.04	40,000	0.03
		Acquisition from E.R. Seshadri	2,500*	10	12.04	2,500	0.00
November 5, 2008	Cash	Acquisition from Cotton Land (HUF)	110,000	10	12.04	110,000	0.09
		Acquisition from Surinder Lal Malik	5,000	10	12.04	5,000	0.00
		Acquisition from Amitabh Agarwal	1,000	10	12.04	1,000	0.00
December 10, 2008	Cash	Acquisition from Bimal Kumar Luthra	1,000	10	12.04	1,000	0.00

Date of Allotment/Transfer	Consideration in Cash/Other than Cash	Nature of Allotment/Acquisition	No. of Equity Shares	Face Value (₹)	Consideration per Equity Share (₹)	No. of Equity Shares being locked in	% of Post Issue Paid Up Capital
		Acquisition from J.P. Kundra	100	10	12.04	100	0.00
		Rights issue	59,357,700	10	12.04	3,901,866	3.29
<b>TOTAL</b>	-	-	<b>79,144,700</b>	-	-	<b>23,688,866</b>	<b>20.00</b>
			<b>0</b>			<b>6</b>	<b>%</b>

The Promoter's contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as 'promoters' under the SEBI ICDR Regulations. The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Regulation 33 of the SEBI ICDR Regulations. In this connection, we confirm the following:

- The Equity Shares offered for minimum 20% Promoter's contribution have not been acquired in the last three years for consideration other than cash and revaluation of assets or capitalisation of intangible assets or bonus shares out of revaluation reserves or unrealized profits of the Company or against Equity Shares which are otherwise ineligible for computation of Promoter's contribution;
- The minimum Promoter's contribution does not include any Equity Shares acquired during the preceding one year at a price lower than the price at which the Equity Shares are being issued to the public in the Issue;
- Our Company has not been formed by the conversion of a partnership firm into a company;
- The Equity Shares held by our Promoter and offered for minimum 20% Promoter's contribution are not subject to any pledge; and
- All the Equity Shares held by the Promoter shall be held in dematerialised form prior to the filing of the Red Herring Prospectus with the RoC.

*(iv) Details of Equity Shares Locked-in for One Year*

Other than the above Equity Shares that are locked in for three years, the entire pre-Issue Equity Share capital of our Company, comprising 55,668,834 Equity Shares would be locked-in for a period of one year from the date of Allotment.

*(v) Lock-in of Equity Shares allotted to Anchor Investors*

Further, Equity Shares Allotted to Anchor Investors, in the Anchor Investor Portion shall be locked in for a period of 30 days from the date of Allotment of Equity Shares.

*(vi) Other requirements in respect of lock-in*

The locked-in Equity Shares held by our Promoter may be pledged only with scheduled commercial banks or PFIs as collateral security for loans granted by such banks or PFIs, provided that such pledge of the Equity Shares is one of the terms of the sanction of the loan. However, Equity Shares locked in as Promoter's contribution can be pledged only if in addition to fulfilling the aforementioned requirements, such loans have been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

The Equity Shares held by persons other than Promoter prior to the Issue may be transferred to any other person holding Equity Shares which are locked-in, subject to the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the "**Takeover Regulations**").

Equity Shares held by our Promoter may be transferred *inter se* to and among our Promoter Group or to any 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 the Takeover Regulations.

## 5. Shareholding Pattern of our Company

The table below presents our shareholding pattern as on the date of filing of this Draft Red Herring Prospectus:

Category Code	Category of Shareholders	Number of shareholders	Total Number of shares	Number of Shares Held in dematerialised form	Total Shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of A+B	As a percentage of A+B+C	Number of shares	As a percentage (IX)=(VIII)/(I V)*100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(I V)*100
<b>(A) Shareholding of Promoter and Promoter Group</b>								
1	<b><u>Indian</u></b>							
A	Individuals/Hindu Undivided Family	8	8	Nil	Negligible	Negligible	Nil	Nil
B	Central Government/State Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil
C	Bodies Corporate	Nil	Nil	Nil	Nil	Nil	Nil	Nil
D	Financial Institutions/Banks	1	79,154,692	Nil	99.74	99.74	Nil	Nil
E	Any Other (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	<b>Sub-Total (A) (1)</b>	<b>9</b>	<b>79,154,700</b>	<b>Nil</b>	<b>99.74%</b>	<b>99.74%</b>	<b>Nil</b>	<b>Nil</b>
2	<b><u>Foreign</u></b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
A	Individuals(Non-Resident Individuals)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
B	Bodies Corporate i.e. OCBs	Nil	Nil	Nil	Nil	Nil	Nil	Nil
C	Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil
D	Any Other (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	<b>Sub-Total (A) (2)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)</b>	<b>9</b>	<b>79,154,700</b>	<b>Nil</b>	<b>99.74%</b>	<b>99.74%</b>	<b>Nil</b>	<b>Nil</b>
<b>(B) Public Shareholding</b>								
1	<b><u>Institutions</u></b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
A	Mutual Funds/UTI	Nil	Nil	Nil	Nil	Nil	Nil	Nil
B	Financial	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Category Code	Category of Shareholders	Number of shareholders	Total Number of shares	Number of Shares Held in dematerialised form	Total Shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of A+B	As a percentage of A+B+C	Number of shares	As a percentage
	Institutions/Banks							
C	Central Government/ State Government(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
D	Venture Capital Fund	Nil	Nil	Nil	Nil	Nil	Nil	Nil
E	Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil	Nil
F	Foreign Institutional Investors	Nil	Nil	Nil	Nil	Nil	Nil	Nil
G	Foreign Venture Capital Investors	Nil	Nil	Nil	Nil	Nil	Nil	Nil
H	Any Other (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	<b>Sub-Total (B) (1)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
2	<b>Non-Institutions</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
A	Bodies Corporate	1	90,000	Nil	0.11	0.11	Nil	Nil
B	Individuals	20	113,000	Nil	0.14	0.14	Nil	Nil
I	Individual Shareholders holding nominal Share Capital value upto ₹ 100,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
II	Individual Shareholders holding nominal Share Capital value in excess of ₹ 100,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
C	<b>Any Other (specify)</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
I	Trust	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ii	NRIs	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Iii	OCBs	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Iv	Foreign Nationals	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	<b>Sub-Total (B) (2)</b>	<b>21</b>	<b>203,000</b>	<b>Nil</b>	<b>0.26%</b>	<b>0.26%</b>	<b>Nil</b>	<b>Nil</b>
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>21</b>	<b>203,000</b>	<b>Nil</b>	<b>0.26%</b>	<b>0.26%</b>	<b>Nil</b>	<b>Nil</b>
	<b>Total (A)+(B)</b>	<b>30</b>	<b>79,357,700</b>	<b>Nil</b>	<b>100%</b>	<b>100%</b>	<b>Nil</b>	<b>Nil</b>

Category Code	Category of Shareholders	Number of shareholders	Total Number of shares	Number of Shares Held in dematerialised form	Total Shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of A+B	As a percentage of A+B+C	Number of shares	As a percentage
(C)	Share held by Custodian and against which Depository Receipts have been issued	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	<b>Total (A)+(B)+(C)</b>	<b>30</b>	<b>79,357,700</b>	<b>Nil</b>	<b>100%</b>	<b>100%</b>	<b>Nil</b>	<b>Nil</b>

6. The BRLM and its associates currently do not hold any Equity Shares in our Company.
7. The lists of top 10 shareholders of our Company and the number of Equity Shares held by them as on the date of filing, ten days before the date of filing and two years before the date of filing of this Draft Red Herring Prospectus are set forth below:
- (a) Our top 10 shareholders as on the date of filing of this Draft Red Herring Prospectus and 10 days prior filing of this Draft Red Herring Prospectus are as follows:

S. No.	Name of Shareholder	No. of Equity Shares	Percentage
1.	IFCI	79,154,700**	99.74
2.	Puri Constructions Private Limited	90,000	0.11
3.	Brij Kapoor	33,000	0.04
4.	Sushant Chabra	10,000	0.01
5.	Vijay Roop Chand	10,000	0.01
6.	Daljit Singh	10,000	0.01
7.	Deep Kaur	10,000	0.01
8.	G.P. Singh	10,000	0.01
9.	Amit Vadhera	5,000	0.01
10.	A.K. Mehta*	5,000	0.01
	<b>Total</b>	<b>79,337,700</b>	<b>99.97%</b>

\* Balkrishna Jaggi, Sanjay Kumar and Rishi Talwar also hold 5,000 Equity Shares.

\*\* Including eight Equity Shares held by Avinash Kumar, Saravjeet Kaur, S.K. Vats, B.N. Nayak, S.K. Bhatia, Gopal Singh, S.K. Bhandari and S.P. Arora, the nominees of our Promoter.

- (b) Our top ten shareholders as of two years prior to filing this Draft Red Herring Prospectus were as follows:

S. No.	Name of Shareholder	No. of Equity Shares	Percentage
1.	IFCI	79,154,700**	99.74
2.	Puri Constructions Private Limited	90,000	0.11
3.	Brij Kapoor	33,000	0.04
4.	Sushant Chabra	10,000	0.01
5.	Vijay Roop Chand	10,000	0.01
6.	Daljit Singh	10,000	0.01
7.	Deep Kaur	10,000	0.01
8.	G.P. Singh	10,000	0.01
9.	Amit Vadhera	5,000	0.01
10.	A.K. Mehta*	5,000	0.01
	<b>Total</b>	<b>79,337,700</b>	<b>99.97%</b>

\* Balkrishna Jaggi, Sanjay Kumar and Rishi Talwar also hold 5,000 Equity Shares.

\*\* Including eight Equity Shares held by Avinash Kumar, Saravjeet Kaur, S.K. Vats, B.N. Nayak, S.K. Bhatia, Gopal Singh, S.K. Bhandari and S.P. Arora, the nominees of our Promoter.

8. Any under-subscription 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.

9. As on the date of this Draft Red Herring Prospectus, our Company has not allotted any Equity Shares pursuant to any scheme approved under Sections 391 to 394 of the Companies Act.
10. There are no partly paid up Equity Shares in our Company. All the Equity Shares offered through this Issue will be fully paid up at the time of Allotment.
11. Neither the members of our Promoter Group, nor our Promoter and its directors, nor our Directors and their immediate relatives have purchased or sold any Equity Shares or financed the purchase of Equity Shares by any other person, other than in the normal course of business during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus with SEBI.
12. As of the date of the filing of this Draft Red Herring Prospectus, the total number of holders of our Equity Shares is 30, including the eight nominees of our Promoter, namely Avinash Kumar, Saravjeet Kaur, S.K. Vats, B.N. Nayak, S.K. Bhatia, Gopal Singh, S.K. Bhandari and S.P. Arora.
13. Over-subscription to the extent of 10% of the Issue to the public can be retained for the purpose of rounding off to the nearer multiple of minimum allotment lot.
14. Our Company, our Directors and the BRLM have not entered into any buy-back or standby arrangements for purchase of Equity Shares from any person.
15. Except options granted pursuant to the ESOP Scheme, as described above, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares as on the date of this Draft Red Herring Prospectus.
16. Our Company has not raised any bridge loans against the Net Proceeds.
17. We presently do not intend or propose any further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment and rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges.
18. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/Issue Opening Date, 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 on a preferential basis or by way of issue of bonus issue or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements or otherwise. However, if we enter into any acquisitions, joint ventures or other arrangements, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use the Equity Shares as currency for acquisition or participation in such joint ventures.
19. 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.
20. Our Promoter will not participate in this Issue.
21. Our Company shall ensure that transactions in Equity Shares by the Promoter and members of the Promoter Group, if any, between the date of registering the Red herring Prospectus with the Registrar of Companies and the Bid/Issue Closing Date are reported to the Stock Exchanges within 24 hours of such transactions being completed.



## OBJECTS OF THE ISSUE

Our Company intends to utilize the proceeds from the Issue, after deduction of the Issue expenses (such net proceeds, the “**Net Proceeds**”) for the following objects:

- (a) augment our capital base to ensure compliance with requisite capital adequacy norms and to meet our future capital requirements arising out of growth in our business; and
- (b) achieve the benefits of listing on the Stock Exchanges.

The main objects clause of our Memorandum of Association enables our Company to undertake its existing activities and the activities for which funds are being raised by our Company through the Issue. The activities which have been carried out until the date of this Draft Red Herring Prospectus by our Company are in accordance with the objects clause of our Memorandum of Association.

### Object to be financed from the Net Proceeds

#### *Augment our capital base*

We are a financial services company, providing factoring solutions across various industries. Factoring is a continuing financing arrangement, where a business concern assigns its accounts receivable to a third party such as us called a “factor” at an agreed discount and factoring fee, which typically provides immediate liquidity to finance the operations of the business concern. Our primary business is to provide domestic sales bill factoring, supported by our other factoring products and allied financing services such as our short term corporate loans business. We believe that we enjoy an early mover advantage in the domestic factoring business in India. For more information on our business and our financial condition and results of operation, see “**Our Business**” and “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” on pages 56 and 130, respectively.

We typically meet our funding requirements through domestic borrowings and from interest receipts from our customers and loan repayments. We are seeking funds to augment our capital base through the Issue through the infusion of further Equity Share capital. RBI, which regulates our business, requires us to maintain a CAR of at least 15.0% of our risk-weighted assets, with the minimum requirement of Tier I capital being 10.0%. The disbursements and business is directly related to the amount of Tier I and II capital. Our total CAR was 20.39% as of March 31, 2011, with Tier I capital comprising 14.06%. Also, our total debt to Shareholders’ fund ratio was 6.18:1 as of March 31, 2011. Thus, by infusion of fresh equity share capital pursuant to the Issue we would be in a position to expand our business by leveraging our emerging balance sheet position. Further, the equity infusion will also enable us to improve our CARs as well as total debt to equity ratios.

In view of the above mentioned, we intend to utilize the entire Net Proceeds to augment our capital base to meet the future capital requirements arising out of growth in our assets.

Hence, it is not possible to provide an activity-wise break-down of the deployment of the funds raised pursuant to the Issue.

#### *Achieve the benefits of listing on the Stock Exchanges*

We believe that equity capital markets are an ideal source for meeting long term capital adequacy requirements of a growing NBFC like ours. In addition, the listing of our Equity Shares will, among other things, enhance our visibility and brand name among our existing and potential customers. We also believe that as a listed entity we would be able to attract high quality and talented personnel.

### Issue Proceeds and Net Proceeds

The details of the proceeds of the Issue are summarized below:

(₹ in million)	
Particulars	Amount
Gross Proceeds of the Issue	[•]
Issue-related expenses*	[•]
<b>Net Proceeds</b>	<b>[•]</b>

\* Will be incorporated at the time of filing of the Prospectus

## Utilization of Net Proceeds and Means of Finance

The Net Proceeds will be utilized to augment our capital base to meet the requisite capital adequacy norms applicable to us, and to meet our future capital requirements arising out of growth in our business, and for other general corporate purposes.

Our funding requirements and the deployment of the Net Proceeds are currently based on estimates of our management. Our funding requirements are dependent on a number of factors including our financing commitments, our repayment and interest obligations, variations in interest rate structures, changes in our financial condition and external factors such as applicable regulatory requirements, which may not be within the control of our management. This may entail re-scheduling and revising our planned expenditures and fund requirements and increasing or decreasing expenditures at the discretion of our management, within the objects of the Issue mentioned above.

We propose to meet the entire requirement of funds for the objects of the Issue entirely from the Net Proceeds of the Issue. No amount is required to be raised through means other than the Issue for financing the objects of the Issue. Accordingly, the requirement of Regulation 4(2)(g) of the SEBI ICDR Regulations for firm arrangements of finance through verifiable means for 75% of the stated means of finance excluding the Net Proceeds and existing identifiable internal accruals does not arise.

The Company is raising capital to meet future capital adequacy requirements and not for any specified project. Accordingly, details of unutilized monies and monies utilised will not be separately available for disclosure in the balance sheet of the Company.

## Issue-related Expenses

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

(₹ in million)			
Activity	Estimated expenses*	As a % of the total estimated Issue expenses	As a % of the total Issue size
Fees payable to the Book Running Lead Manager	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Fees payable to the Registrar to the Issue	[●]	[●]	[●]
Underwriting commission, brokerage and selling commission including fee payable to SCSBs (including commission payable to the members of the Syndicate and the SCSBs, and processing fees to SCSBs for ASBA Applications, as applicable)**	[●]	[●]	[●]
IPO Grading expense	[●]	[●]	[●]
Others (legal fees, listing fees, printing and stationery expenses etc.)	[●]	[●]	[●]
<b>Total estimated Issue expenses</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>

\*Will be incorporated at the time of filing of the Prospectus.

\*\* Disclosure of commission and processing fees will be incorporated at the time of filing the Red Herring Prospectus

## Interim Use of Funds

Our management, in accordance with the policies established by our Board of Directors from time to time, shall have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, we intend to invest the funds in high-quality interest-bearing liquid instruments, including money market mutual funds, deposits with banks, and other interest-bearing securities or for reducing overdrafts. Such investments would be in accordance with investment policies approved by our Board of Directors from time to time. Other than the investments made by our Company as a part of our Company's business activities, we confirm that, pending utilization of the Net Proceeds, we shall not utilize the funds for undertaking any investments in the equity share capital markets.

## Monitoring Utilization of Funds

Our Company will disclose the utilisation of the Net Proceeds, including interim use under a separate head in its balance sheet for such fiscal periods as is required under the SEBI ICDR Regulations, the Listing Agreement with the Stock Exchanges, and any other applicable laws or regulations, clearly specifying the purposes for which the Net Proceeds have been utilised, and details of any material deviations as per the disclosure requirements of our Listing agreement with the Stock Exchanges. This statement will be certified by the Auditors of our Company.

**Appraisal**

None of the objects for which the Net Proceeds will be utilised require to be, or have been, financially appraised.

**Bridge Financing Facilities**

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

**Other confirmations**

There are no material existing or anticipated transactions with our Promoter, our Directors, our Company's key management personnel, associates and Group Entities, in relation to the utilisation of the Net Proceeds. No part of the Net Proceeds will be paid by us as consideration to our Promoter, our Directors or key management personnel or our Group Entities, except in the ordinary course of our business.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares through the Book Building Process. The face value of the Equity Shares is ₹ 10 and the Issue Price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

### Qualitative Factors

We believe that the following competitive strengths will enable us to compete successfully in our industry.

- Strong Relationship with Promoter and brand recognition;
- Established client relationships and diverse clientele across India;
- Comprehensive credit appraisal and risk management policies;
- Track record of consistent financial performance and growth;
- Qualified and committed management and employee base; and
- Robust information technology systems and infrastructure.

For more information, see “*Our Business - Competitive Strengths*” on page 57.

### Quantitative Factors

The information presented below relating to our Company is based on the Restated Financial Information for fiscal 2011, 2010 and 2009 prepared in accordance with Indian GAAP. For more information, see, “*Financial Statements*” on page 102.

Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

#### 1. *Weighted Average Earning Per Share (EPS)*

Year ended	Basic & Diluted EPS (in ₹)	Weight
March 31, 2009	0.64	1
March 31, 2010	1.39	2
March 31, 2011	2.53	3
Weighted Average	1.84	

#### Notes:

1. Earnings per share calculations are done in accordance with Accounting Standard 20 ‘Earning per Share’ issued by the Institute of Chartered Accountants of India.
2. Basic Earnings per share is calculated as Net profit/(loss) as restated, attributable to equity shareholders divided by Weighted average number of equity share outstanding during the year.
3. Diluted Earnings per share is calculated as Net profit/(loss) as restated before extraordinary items, attributable to equity shareholders divided by Potential Weighted average number of Equity Shares outstanding during the year.
4. Weighted Average number of Equity Shares is the number of Equity Shares outstanding at the beginning of the year/period adjusted by the number of Equity Shares issued during year/period multiplied by the time weighting factor. The time weighting factor is the number of days for which the specific shares are outstanding as a proportion of total number of days during the year.
5. The above statement should be read with Significant Accounting Policies and the Notes to the Restated Summary Statements on page 112.

#### 2. *Price/Earning (P/E) ratio in relation to Issue Price of ₹[●] per share of ₹10 each*

S. No.	Particulars	Ratio
1.	P/E ratio based on EPS for fiscal 2011 at the Floor Price	[●]
2.	P/E ratio based on weighted average EPS at the Floor Price	[●]
3.	P/E ratio based on EPS for fiscal 2011 at the Cap Price	[●]
4.	P/E ratio based on Weighted average EPS at the Cap Price	[●]

5.	Industry P/E	There are no listed companies with identical business of factoring, as the Company, in India.
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3. **Weighted Average Return on Net Worth (“RONW”) as per Restated Financial Information**

Year ended	RONW (%)	Weight
March 31, 2009	2.49	1
March 31, 2010	10.13	2
March 31, 2011	16.37	3
Weighted Average	11.98	

4. **Minimum Return on increased Net Worth needed to maintain Pre-Issue EPS**

The minimum return on increased net worth required to maintain pre-Issue EPS of ₹ 2.53 is:

At the Floor Price: [●]%

At the Cap Price: [●]%

5. **Net Asset Value<sup>#</sup> per Equity Share of face value ₹10 each**

As per our Restated Financial Information as on March 31, 2011 is ₹ 15.44.

NAV per Equity Share is [●] at the Floor Price and [●] at the Cap Price.

NAV per Equity Share after the Issue: [●]

Issue Price per Equity Share: ₹ [●]\*

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

<sup>#</sup> Net Asset Value per Equity Share represents Net Worth divided by the number of Equity Shares outstanding at the end of the year.

6. **Comparison with Industry Peers**

There are no comparable listed companies in India. Hence, comparison with industry peers is not applicable.

The Issue Price of ₹ [●] has been determined by the Company in consultation with the BRLM on the basis of the demand from investors for the Equity Shares through the Book Building Process and on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and is justified based on the above accounting ratio. Bidders should also review the entire Draft Red Herring Prospectus, including, in particular, the sections entitled “**Risk Factors**”, “**Industry Overview**”, “**Our Business**” and “**Financial Information**” on pages xii, 45, 56 and 102, respectively, to obtain a more informed view of the investment proposition.

## STATEMENT OF TAX BENEFITS

To,

The Board of Directors,  
IFCI Factors Limited  
9<sup>th</sup> Floor, IFCI Tower,  
61, Nehru Place,  
New Delhi – 110019

Dear Sirs,

We hereby report that the enclosed annexure states the possible direct tax benefits available to IFCI Factors 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 or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which is based on business imperatives the Company faces in the future, which the Company may or may not choose to fulfill.

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

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961 (“the Act”). The income tax rates referred here are the existing tax rates based on the rates prescribed in the Finance Act, 2011 for the Financial Year 2011-12. All the provisions set out below are subject to conditions specified in the respective sections.

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

- i) The Company or its shareholders will continue to obtain these benefits in future; or
- ii) The conditions prescribed for availing the benefits have been/would be met with.

The contents of the enclosed *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 S.N Dhawan & Co**  
Chartered Accountants  
Firm Registration No.000050N

**(Suresh Seth)**  
**Partner**  
**Membership No. 010577**

Dated: July 12, 2011  
Place: New Delhi



## **STATEMENT OF TAX BENEFITS**

### **STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO IFCI FACTORS LIMITED AND ITS SHAREHOLDERS**

The following key benefits are available to the Company and the shareholders under current direct tax laws in India for the financial year 2011-12.

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the current direct tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent on fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. The benefits discussed below are not exhaustive. This Statement is only intended to provide the tax benefits to the Company and its shareholders in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions or possible tax consequences. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his/her own tax adviser with respect to specific tax implications arising out of their participation in the issue.

#### **A. SPECIAL TAX BENEFITS**

##### **1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY**

There are no special tax benefits available to the Company

##### **2. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY**

There are no special tax benefits available to the shareholders of the Company.

#### **B. GENERAL TAX BENEFITS**

##### **1. Benefits available to the Company under the Income-tax Act, 1961 ('Act')**

###### **1.1 Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by domestic companies are exempt in the hands of the Company as per the provisions of Section 10(34) of the Act.

###### **1.2 Dividends exempt under Section 10(35)**

Income received in respect of units of a mutual fund specified under Section 10(23D) of the Act (other than income arising from transfer of units in such mutual fund) shall be exempt from tax under Section 10(35) of the Act.

###### **1.3 Depreciation**

The Company is entitled to claim depreciation on specified tangible and intangible assets owned by it and used for the purpose of its business under Section 32 of the Act.

Unabsorbed depreciation, if any, for an Assessment Year ("AY") can be carried forward and set off against any source of income in the subsequent AYs.

###### **1.4 Carry forward of business loss**

Business losses if any, for any AY, can be carried forward and set off against business profits for eight subsequent AYs.

###### **1.5 Minimum Alternate Tax ("MAT") Credit:**

- 1.5.1 MAT is payable by a company when the income-tax payable on the total income as computed under the Act is less than 18% (plus applicable Surcharge + Education and Secondary & Higher Education cess) of its book profit computed as per the specified method.
- 1.5.2 As per Section 115JAA(1A), the Company is eligible to claim for MAT paid for any AY commencing on or after April 1, 2006 against normal income-tax payable in subsequent AYs. MAT credit shall be allowed for any AY to the extent of difference of the tax paid for any AY under 115JB and the amount of tax payable as per the normal provisions of the Act for that AY. Such MAT credit will be available for set-off upto ten years succeeding the AY in which the MAT credit is allowed.

## **1.6 Computation of capital gains**

- 1.6.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the Act or Zero-Coupons bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.
- 1.6.2 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 other than gains on transfer of bonds or debentures other than capital indexed bonds issued by the government, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.
- 1.6.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or Units or Zero-Coupons bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
- 1.6.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax (“STT”) shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).
- 1.6.5 *Exemption of capital gain from income tax*
- According to section 10(38) of the Act, long-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.
  - According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. Deduction under section 54EC of the Act is restricted to Rs. 50 lacs during any financial year. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

## **2. Benefits available to resident shareholders**

### **2.1 Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

## 2.2 Computation of capital gains

- 2.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the Act or Zero-Coupons bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.
- 2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.
- 2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or Units or Zero-Coupons bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
- 2.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).
- 2.2.5 *Exemption of capital gain from income tax*
- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
  - According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Deduction under section 54EC of the Act is restricted to Rs. 50 lacs during any financial year. Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act applicable to individuals and Hindu Undivided Families (HUFs).
  - According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (‘HUF’), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. If the specified conditions prescribed in section 54F of the Act are not followed, then, the exemption claimed will be revoked

and the gains so exempted will be taxable as long term capital gains in the year in which default is committed.

### 3. Benefits available to Non-Resident Indian shareholders

#### 3.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

#### 3.2 Computation of capital gains

3.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the Act or Zero-Coupons bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company’s shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

3.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or Units or Zero- Coupons bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

#### 3.2.5 Options available under the Act

*Where shares have been subscribed to in convertible foreign exchange –Option of taxation under Chapter XII-A of the Act:*

Non-Resident Indians as defined in Section 115C(e) of the Act, being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company’s shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit. Further, short term capital gains arising on transfer of an Indian company’s shares, will be subject to tax at the rate of 20 percent (plus applicable surcharge and education cess).
- According to 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 shall not be chargeable to tax if the entire net consideration received on such transfer 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. 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 accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

- Further, if the specified asset or savings certificate in which the investment has been made is transferred / converted into money within a period of three years from the date of investment, 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 / converted.
- 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, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

### 3.2.6 *Exemption of capital gain from income tax (not applicable in case non resident Indian shareholder opts for taxability discussed above under Para 3.2.5)*

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. Deduction under section 54EC of the Act is restricted to Rs. 50 lacs during any financial year. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.  
Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. If the specified conditions prescribed in section 54F of the Act are not followed, then, the exemption claimed will be revoked and the gains so exempted will be taxable as long term capital gains in the year in which default is committed.

## 4. **Benefits available to other Non-residents Shareholders**

#### **4.1 Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

#### **4.2 Computation of capital gains**

4.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the Act or Zero-Coupons bonds will be considered as long term capital assets if they are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company’s shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or Units or Zero-Coupons bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

#### **4.2.5 Exemption of capital gain from income tax**

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. Deduction under section 54EC of the Act is restricted to Rs. 50 lacs during any financial year. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act (applicable to individuals).
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. 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. If the specified conditions prescribed in section 54F of the Act are not



followed, then, the exemption claimed will be revoked and the gains so exempted will be taxable as long term capital gains in the year in which default is committed.

## **5. Benefits available to Foreign Institutional Investors (FIIs)**

### **5.1 Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by domestic companies are exempt in the hands of the Foreign Institutional Investors as per the provisions of Section 10(34) of the Act.

### **5.2 Taxability of Capital Gains**

As per provisions of section 115AD(1) of the Act, where the total income of a FII ("Foreign Institutional Investor" means such investor as the Central Government may, by notification in the Official Gazette, specify in this behalf) includes dividend (other than dividends referred to in Section 115-O) received in respect of the equity shares of the Company, or income by way of short term or long term capital gains arising from the transfer of such securities, subject to the sub section (2) & (3) of the said section the income tax payable shall be the aggregate of:

- (i) The amount of income tax calculated on dividends at the rate of 20%;
- (ii) The amount of income tax calculated on the income by way of short term capital gains at the rate of 30%. However, the amount of income tax calculated on the income by way of short term capital gains referred to in section 111A shall be at the rate of 15% ; and
- (iii) The amount of income tax calculated on the income (calculated in the specified manner) by way of long term capital gains included in the total income, at the rate of 10%.

Further, as per section 196D, where any dividend income (other than dividends referred to in Section 115-O) is payable to a Foreign Institutional Investor, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof, deduct income tax thereon at the rate of 20%. However, no deduction of tax shall be made from any income, by way of capital gains arising from the transfer of securities referred to in Section 115-AD(1)(b), payable to a Foreign Institutional Investor.

### **5.3** According to section 10(38) of the Act, any income arising from transfer of long-term capital asset being sale of equity shares or units of an equity oriented fund specified under section 10(23D) where such transaction is chargeable to securities transaction tax shall be exempt from tax.

### **5.4 Tax Treaty benefits**

An investor has an option to be governed by the provisions of section 90 of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial

## **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 authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

## **7. 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, these shares are not liable to wealth tax.

## **8. Benefits available under the Gift-tax Act, 1958**

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 US INDUSTRY OVERVIEW

*Unless otherwise indicated, industry data used throughout this section is derived from publicly available sources including the RBI and the GoI, and the following sources and publications: FCI Statistics©; Planning Commission Report; the World Factoring Yearbook 2010; the SMBDCI Report; and SIDBI Factoring Report.*

*Such data or their presentation in this chapter may be subject to approximations, rounding off or reorganization. While industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, their accuracy, completeness and underlying assumptions are not guaranteed and neither we nor any person connected with the Issue has independently verified the information provided in this chapter. The extent to which you place reliance on the information provided in this chapter should accordingly be limited.*

### Overview of the Indian Economy

The Indian economy continued to outperform most emerging markets during 2010-2011, retaining its position as the second fastest growing economy, after China, amongst the G-20 countries. (Source: Reserve Bank of India *Macroeconomic and Monetary Developments in 2010-2011*) The GDP of India at constant (2004-2005) prices is estimated at ₹ 48.78 trillion for fiscal 2011, showing a growth rate of 8.5% over fiscal 2010. The Index of Industrial Production of manufacturing registered a growth rate of 8.1% during fiscal 2011. (Source: Ministry of Statistics and Programme Implementation, Government of India, *Press Note on Revised Estimates of Annual National Income, 2010-2011 and Quarterly Estimates of Gross Domestic Product, 2010-2011, dated May 31, 2011*) During the same period India's exports went up by 37.55% to USD 245.86 billion, demonstrating robust demand for Indian merchandise. (Source: Press Note dated May 2, 2011, 'India's Foreign Trade: March 2011', Ministry of Commerce and Industry, Government of India)

The projected growth rate of the GDP for fiscal 2012 is estimated to be 8.2%, and the long-term forecast for real growth in GDP is projected as 8.5% over the next five years and 8.7% over the next 10 years. (Source: Reserve Bank of India, *Press Release on 'Results of 15th Round (Q4:2010-11) of Survey of Professional Forecasters on Macroeconomic Indicators' dated May 25, 2011*) Sectors including automobiles, auto ancillaries and textiles have benefited from increase in demand, and this trend is expected to gain traction with growing confidence among businesses and consumers. (Source: *World Factoring Yearbook 2010*)

### Overview of the SME Sector in India

SMEs contribute 45% of the industrial output, 40% of exports, 60 million in employment, with generation of 1.3 million employment opportunities annually and produce more than 8,000 quality products for Indian and international markets. SME's Contribution towards GDP in 2009 was 17% which is expected to increase to 22% by 2012. SMEs are significant in the manufacturing and service sectors, as well as a link in the supply chain to corporate entities and public sector undertakings. Promotion of SMEs contributes to the development of rural areas of India. SMEs are consequently exposed to significant opportunities for expansion and diversification across sectors, with progress in various industries like manufacturing, precision engineering, food processing, pharmaceuticals, textiles and garments, retail, information technology, agro and service sectors. (Source: *SMBDCI Report*)

The SME sector acts both as a backward and forward linkage to the overall industrial sector of the Indian economy. This sector encompasses a majority of products manufactured by Indian industries, and includes a substantial number of services, including food processing, agriculture, chemicals and pharmaceuticals, electrical and electronic goods, medical and surgical equipment, textiles and garments, gems and jeweler, leather and leather goods, bio-engineering and computer software. (Source: *World Factoring Yearbook, 2010*)

Despite its contribution to the Indian economy, the SME Sector does not have access to requisite support from the banks and financial institutions, which hinders SMEs in terms of absence of adequate and timely banking finance, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategy, identification of new markets, constraints on modernization and expansion and non-availability of highly skilled labour at affordable cost. (Source: *SMBDCI Report*)

SMEs may securitize and sell their receivable claims, in order to reduce their investment in working capital and thereby their need for finance significantly, leading to smaller and better-capitalised balance sheets, which would improve their credit worthiness. (Source: *Planning Commission Report*)

## Overview of Factoring

Factoring is a continuing financing arrangement where a business concern assigns its accounts receivable to a third party called a factor, at a discount and an agreed factoring fee, which typically provides immediate liquidity to finance the operations of the business concern. An entity requiring working capital finance in relation to a transaction involving future receivables may avail of factoring.

There are generally three parties involved in a factoring arrangement:

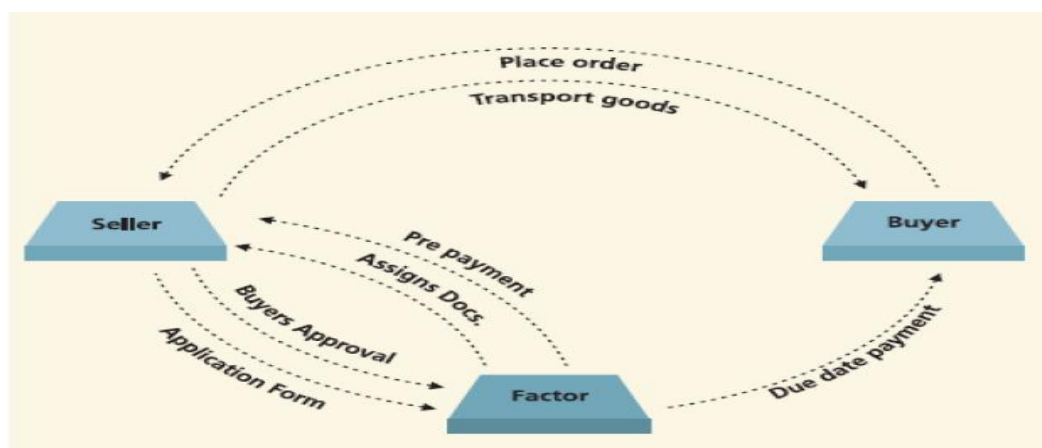
- (iv) the client, who is originally entitled to the accounts receivables and requires immediate working capital;
- (v) the debtor, who is obliged towards such accounts receivables to the client; and
- (vi) the factor, who agrees to liquidate the accounts receivable towards the client for the consideration of a discount and an agreed factoring fee.

Typically, the mechanism of a factoring facility is undertaken through the following process:

- On receiving a request for factoring, the factor scrutinizes the financial statements and conducts credit assessment of the client, on the basis of which the application is processed and, if approved, the factor assigns an overall factoring limit to the client.
- Prior to commencement of the facility, the factor seeks a letter of waiver/no-objection from the bankers to the client, and also conducts due diligence and examines the sales ledgers of the debtor, following which sub-limits may be set for respective debtor, on the basis of which in-house approval of factoring arrangement is granted to the client.
- A letter of notification is thereafter sent for acceptance to the debtor, following which a factoring agreement is signed between the client and the factor with respect to the accepting debtor.
- The client is then required to submit original invoices accompanied with assignment clauses and proof of delivery of those invoices, following which, the factor makes advance payment of typically 80% of the total invoice value to the client, deducting its commission and interest charges thereon.
- Thereafter, the factor manages the client's sales ledgers, sends due-date reminders to client's debtors and collects payments as and when due. On receipt of the full payment, the factor pays the balance amount due to the client. (Source: *SIDBI Factoring Report*)

An illustration of the factoring mechanism, as is typically seen in India, is provided below:

### Factoring Mechanism



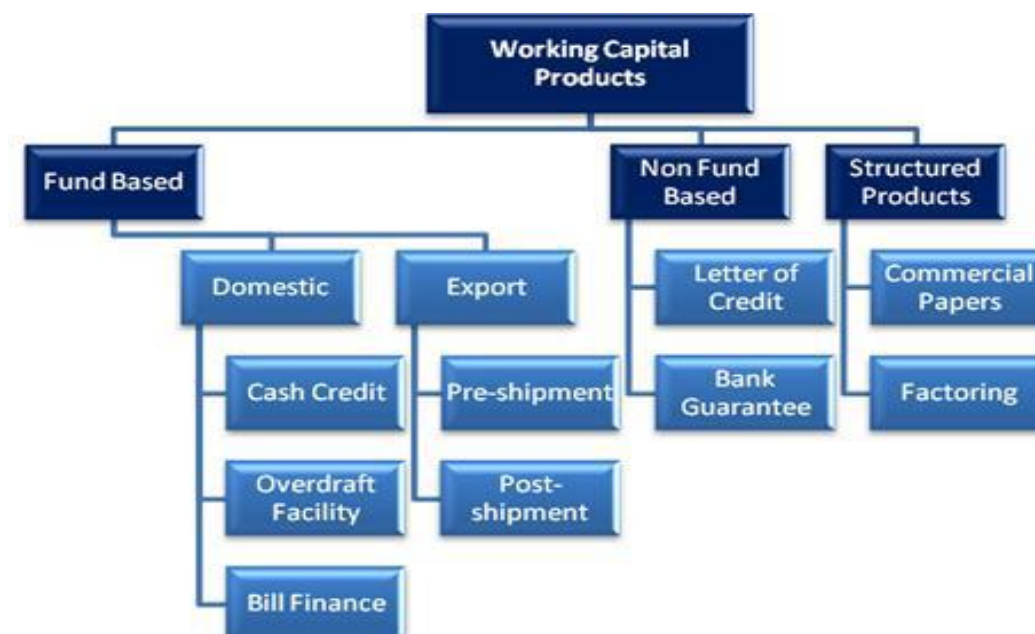
(Source: *SIDBI Factoring Report*)

In the above mechanism, the factor performs the following functions for the client:

- (i) receivables financing;
- (ii) credit protection (only in case of non-recourse factoring);
- (iii) accounts receivables collection and management; and
- (iv) sales ledger administration and advisory services.

### Factoring vis-à-vis Traditional Sources of Finance

The traditional sources of working capital finance are illustrated below:



(Source: SIDBI Factoring Report)

Broadly, factoring differs from traditional sources of working capital financing in certain key parameters set forth below:

Parameter	Factoring	Bank Credit	Bill Discounting	Cash Credit
Product	Assignment of a financial asset (the receivable) to the factor in return for facility offered on whole turnover basis (gives the client the liberty to draw desired finance only).	Loan against receivables which are used as collateral.	Discounting of individual bills.	Loan against receivables which are used as collateral.
Structure	Tripartite, on the due date of the invoice, the debtor (typically) makes payment directly to the factor instead of to the factor's client.	Two parties, the transaction involves the loan sanction as well as security creation.	Individual transaction.	Two parties.
Process	Paperwork is simple. A one-time notification is taken at the commencement of the facility.	More paperwork is involved (for the loan facility as well as security creation), may require the business owner to endure restrictive terms, covenants, and	Each bill has to be individually accepted by the drawee which takes time. More paperwork is involved and grace period for payment is usually three days.	The client has to submit various stock statements to the bank. The drawing power on the basis of stock statements is computed once a month.

		guarantees.		
Charges	No upfront charges. Finance charges are levied at an agreed rate (usually 10%) on only the amount of money withdrawn. Grace periods are typically more generous than in bill discounting.	Both parties may face interest rate risks.	Charges are normally up front.	Margin retained on receivables is usually 40% to 50%.

## Types of Factoring

Based on the parameter in consideration, factoring may be classified into domestic and international factoring, recourse and non-recourse factoring and disclosed and undisclosed factoring. (Source: *SIDBI Factoring Report*)

### *Domestic and international factoring*

Domestic factoring involves the financing of receivables within the country, whereas factoring undertaken for receivables involving cross-border transactions is termed as international factoring. Domestic factoring involves only one factor, whereas in the case of international factoring, the factor may choose to undertake the entire transaction directly at the location of the client as well as the debtor, or may collaborate with a factoring partner in the respective country. Further, factoring entities require authorised dealer registrations from the RBI to engage in international factoring, alongside complying with other requirements in respect of cross-border transactions, which would amongst others, include issues relating to foreign exchange, jurisdiction, applicable law relating to regulations and obligations of parties to the transaction, position of the parties in case of insolvency.

During 2004-2008, international factoring turnover of Indian factoring entities had grown at a CAGR of 26.6% while that of domestic factoring had grown at 34.5%. The growth in export factoring was led by the growth in Indian exports during prior years and increased awareness of factoring products among exporters. In other economies, the growth of international factoring is largely driven by the increase in quantum of exports on open account terms, which has not been substantial in India. (Source: *SIDBI Factoring Report*) 94.55% of the factoring undertaken in India in 2010 related to domestic transactions. International factoring in India comprises predominantly export factoring, with negligible contribution from import factoring. (Source: *FCI Statistics*©)

The reasons for the slow growth of international factoring in India include the considerable reliance on letters of credit as a financing instrument in India, along with lower costs attached with pre-shipment and post-shipment credit from banks. (Source: *SIDBI Factoring Report*)

### *Recourse and non-recourse factoring*

Factoring can be undertaken with the factor either choosing to undertake the underlying credit or default risk to the transaction involved (non-recourse factoring) or choosing not to bear such risk and maintaining recourse to the client in the event of default by the debtor in relation to the transaction (recourse factoring). There is typically limited recourse in the case of non-recourse factoring as well, in the event a trade dispute arises between the client and the debtor in relation to quality and supply of goods. On account of the risk attached to non-recourse factoring, the cost of such factoring is typically higher. 90% of the factoring undertaken in the domestic market of India in 2008 was with recourse, primarily on account of inadequate credit information infrastructure and delay in legal recovery of dues. (Source: *SIDBI Factoring Report*)

### *Disclosed and undisclosed factoring*

Disclosed factoring involves information to and participation of the debtor in a factoring transaction. Under undisclosed factoring, the debtor is not informed of the agreement entered into between the client and the factor and pays the client directly, excluding the factor from the debt collection process. Disclosed factoring is undertaken only where the debtor accepts the notice of assignment in favor of the factor. A significant portion of factoring transactions undertaken in India in 2010 were disclosed, which is on par with global practice, as undisclosed factoring involves higher risk and necessitates due diligence of the client as well as the debtor. (Source: *SIDBI Factoring Report*)



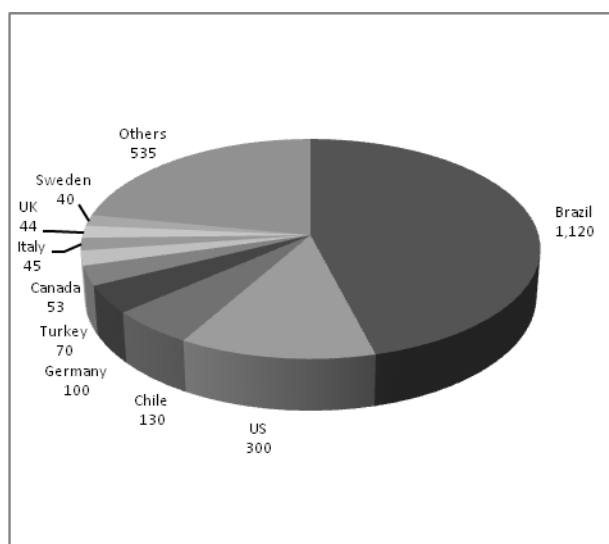
## The Global Factoring Industry

### Factoring Entities Worldwide

The total number of factoring entities operating worldwide in 2010 was 2,437, with nearly 45.96% of factoring entities operating in Brazil (1,120 companies), followed by 12.31% in the United States of America (300 companies), 5.33% in Chile (130 companies), 4.10% in Germany (100 companies) and 2.87% in Turkey (70 companies). In 2010, the total number of factoring entities operating in India was 11, constituting 0.45% of the total number of factoring entities operating globally. India was ranked 26<sup>th</sup> in terms of the number of operating factoring entities in 2010 worldwide. (Source: FCI Statistics©)

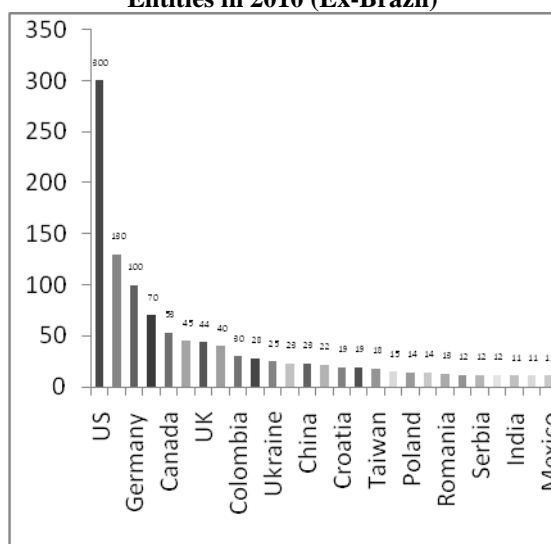
A country-wise breakdown of total number of operating factoring entities is provided below:

**Country-wise Number of Factoring Entities in 2010**



(Source: FCI Statistics©)

**Countries with Highest Number of Factoring Entities in 2010 (Ex-Brazil)**



There is some degree of organization in the factoring industry worldwide. Some of the international networks of factoring entities currently include FCI, the International Factoring Association, the International Factors Group and others.

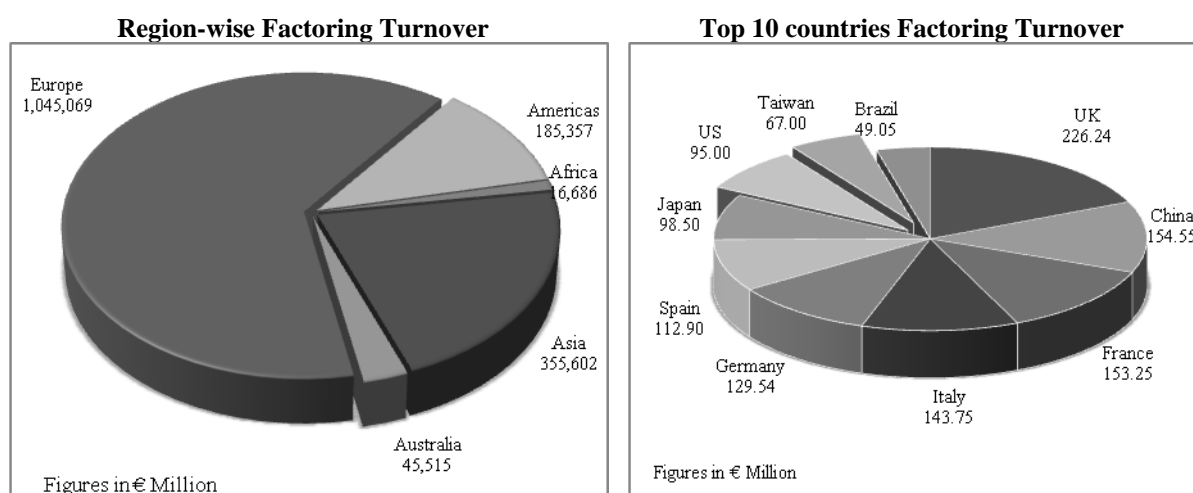
Currently, the FCI network counts 257 factor entities in 68 countries, actively engaged in more than 80% of the world's cross-border factoring volume. (Source: FCI Statistics©)

### Growth in Factoring Worldwide

The global factoring turnover in 2010 was € 1,648.23 billion, which constituted a year-on-year growth over 2009 of 28.41%, of which factoring of the value of € 1,045.07 billion was undertaken in European countries, whereas the contribution of Asian countries was € 355.60 billion. African countries undertook the lowest value of factoring transactions in 2010, of € 16.69 billion. The five largest countries in Asia in terms of factoring turnover in 2010 were China, Japan, Taiwan, Hong Kong and Singapore, respectively. The United Kingdom recorded the highest national factoring turnover of € 226.24 billion, followed by China with € 154.55 billion, France with € 153.25 billion, Italy with € 143.74 billion and Germany with € 129.54 billion respectively. India was the 38<sup>th</sup> largest country in the world and the seventh largest country in Asia in terms of factoring turnover of € 2.75 billion. (Source: FCI Statistics©)

A country-wise breakdown of factoring turnover in 2010 is provided below:

## Country-wise Factoring Turnover in 2010



(Source: FCI Statistics©)

### Region-wise Growth Trends in the Global Factoring Industry

Of the ten largest countries by factoring turnover, China recorded the highest CAGR over the period 2006-2010 of 81.31% and a year-on-year growth of 129.64% in 2010. The United States of America and the United Kingdom recorded decline in CAGR over the period 2006-2010 of 0.26% and 2.34%, respectively. However, the United States of America and the United Kingdom maintained year-on-year growth of 7.34% and 15.66%, respectively, over this period. The growth of factoring in India has been sluggish, with a year-on-year rise of 3.77% over 2009, and decline of 6.25% CAGR in factoring turnover over the period from 2006 to 2010. (Source: FCI Statistics©)

Region-wise growth trends over the years 2006 to 2010 are provided below:

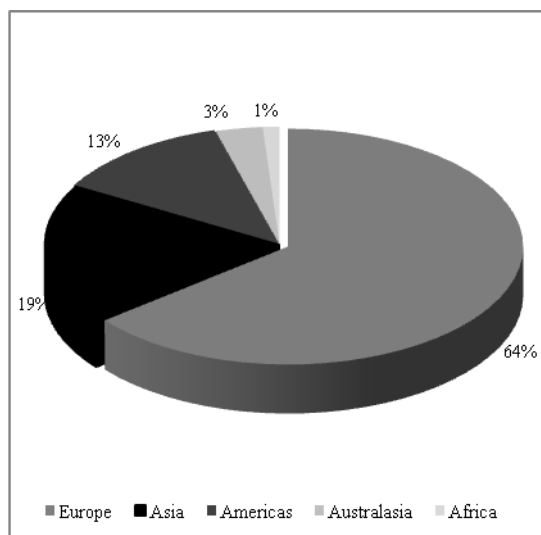
### Global Year-on-Year Growth Trends in Factoring

(%)	2006	2007	2008	2009	2010	CAGR over 2006-2010
Europe	12.79	15.53	(4.69)	(1.34)	19.21	6.68
Americas	3.88	6.53	3.02	(7.90)	30.52	7.17
Africa	36.49	25.75	23.90	11.56	12.77	18.32
Asia	10.43	16.47	35.11	(10.80)	69.34	24.17
Australia	19.13	21.28	(1.58)	20.65	13.48	13.06
<b>Total World</b>	<b>11.58</b>	<b>14.76</b>	<b>1.84</b>	<b>(3.10)</b>	<b>28.41</b>	<b>9.81</b>

(Source: FCI Statistics©)

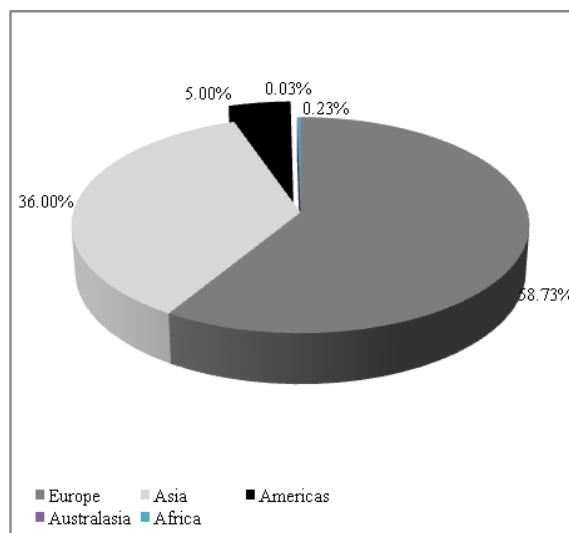
The graph below presents an indicative picture of the country-wise proportion between domestic and international factoring transactions in 2010:

**Region-wise Composition of Domestic Factoring Turnover**



(Source: FCI Statistics©)

**Region-wise Composition of International Factoring Turnover**



In 2010, 28 countries undertook domestic factoring constituting more than 90% of their total national factoring turnover, and only Taiwan, Hong Kong, Lithuania, Egypt, Honduras and Korea undertook more international factoring transactions than domestic factoring transactions. (Source: FCI Statistics©)

## Factoring in India

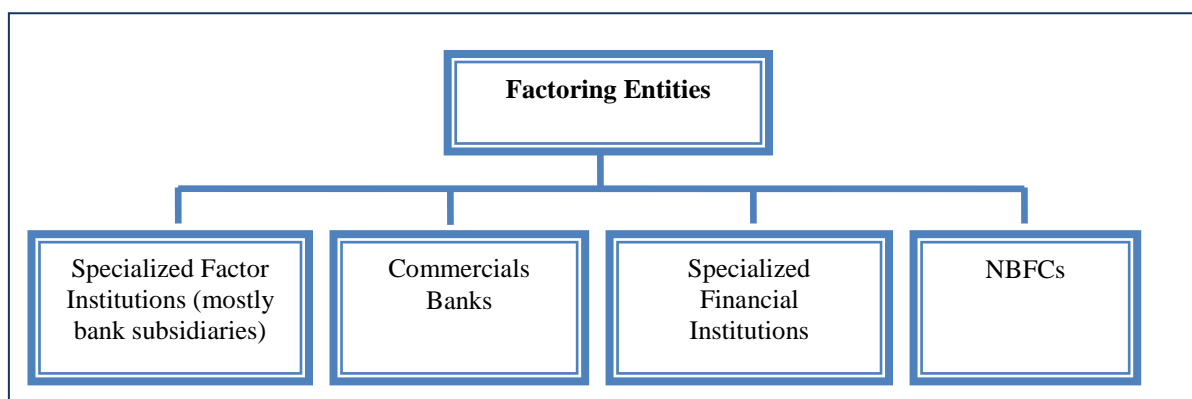
### History of the Indian Factoring Industry

The Committee on Economic Reforms constituted in 1985 by the GoI under the chairmanship of Dr. Sukhamoy Chakravarty had recommended, among other things, greater resort to financing of working capital through loans, bills, and receivables. Thereafter, various other committees were set up by the GoI to review financing in India, including the Vaghul Committee on Money Market Reforms, constituted in 1987, which made reference to the need for introducing factoring in India. The Kalyanasundaram Committee was constituted in 1988 to examine financing for MSME sector and to assess the viability of factoring as a financing mechanism for this sector. The 'Report of the Study Group for Examining Introduction of Factoring Services in India' (the "**Kalyanasundaram Committee Report**") indicated that there was sufficient scope for introduction of factoring services in India and that there was sufficient indication that suppliers from various industry sectors would welcome factoring services, including export factoring. On the recommendation of the Kalyanasundaram Committee Report, the RBI recommended the launch of domestic factoring in India. (Source: SIDBI Factoring Report)

### Overview of the Indian Factoring Industry

In 2010, India had 11 operating factoring entities (Source: FCI Statistics©), which can be classified as indicated in the figure below:

## Factoring Entities in India



(Source: SIDBI Factoring Report)

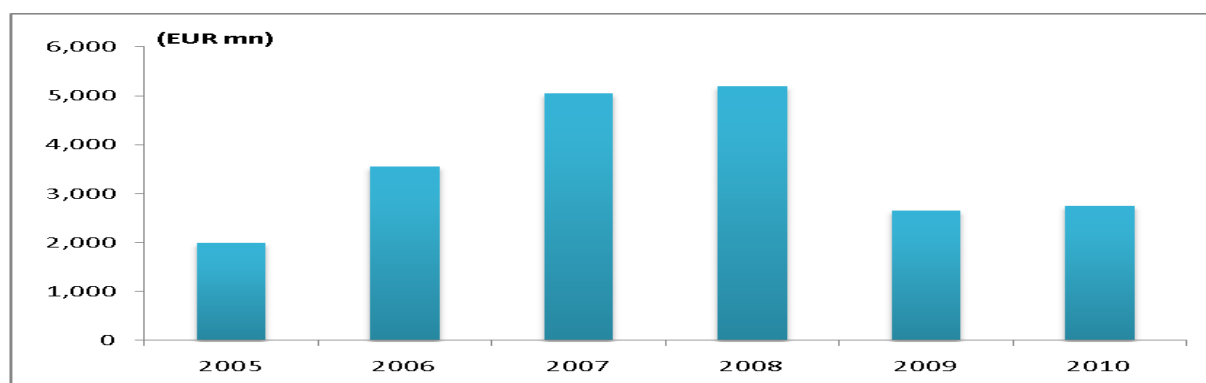
India still has limited number of players engaged in providing factoring services. Most of the players engaged in providing factoring services currently are specialised factor institutions (including SBI Global Factors Limited (“**SBI Factors**”), CanBank Factors Limited (promoted by Canara Bank, Andhra Bank and SIDBI) (“**CanBank Factors**”), our Company and Global Trade Finance (promoted by the Export-Import Bank of India, WestLB AG, International Finance Corporation and the Export Credit Guarantee Corporation of India Limited)), commercial banks (including the Hong Kong and Shanghai Banking Corporation, Standard Chartered Bank, Citibank, ICICI Bank Limited and Axis Bank Limited) and specialised financial institutions including the Export Credit Guarantee Corporation and NBFCs including Birla Global Finance Company and Bibby Financial Services.

The first entities to commence factoring operations in India were SBI Factors and Commercial Services Private Limited (promoted by the State Bank of India, the Small Industries Development Bank of India (“**SIDBI**”), the Union Bank of India, the State Bank of Saurashtra and the State Bank of Indore) in April 1991, and CanBank Factors in September 1991. Our Company originally incorporated in December 1995, and was an early provider of factoring services in India. In 1994, with a view to give further impetus to factoring, the RBI permitted banks to undertake factoring departmentally through select branches possessing requisite skills and infrastructure, following which entrants including Global Trade Finance commenced operations in 2001. Global Trade Finance was merged with SBI Factors and Commercial Services Private Limited pursuant to order of the High Court of Mumbai dated January 15, 2010 and was renamed as ‘SBI Global Factors Limited’ with effect from March 23, 2010. Multi-national banks have also commenced factoring operations in India, including the Hong Kong and Shanghai Banking Corporation Limited. (Source: SIDBI Factoring Report)

### Growth of Factoring in India

#### Volume of Factoring Turnover in India

India’s factoring market has grown from € 1,625 million in 2004 to € 2,750 million in 2010.



(Source: FCI Statistics©)

The growth of factoring in India has been unsteady, with significant year-on-year growth in factoring turnover of 78.89% in 2006 and 41.99% in 2007, followed by a slowdown in 2008, with a year-on-year growth of 2.87%. In 2009, on account of factors including the global recession (*Source: World Factoring Yearbook 2010*) which we believe had an impact on the asset quality of certain leading players in the Indian factoring industry, India reported a year-on-year decrease in factoring turnover by 49.04%. Additionally, factoring entities in India had significant exposures in the textiles, metals and automobile and ancillaries industries, which were affected by the global recession. Accordingly, factoring volumes faced substantial decline during 2008-2009 and the first two quarters of 2009-2010. However, on account of growth recorded by the manufacturing sector and the automobiles and ancillaries industry, there was improvement in the factoring scenario in India. (*Source: World Factoring Yearbook 2010*) India showed recovery in 2010 with year-on-year growth of 3.77%. (*Source: FCI Statistics*©).

### *Regulatory Framework in India*

There is no legislation in India as on the date of this Draft Red Herring Prospectus that specifically governs factoring. Banks and NBFCs that provide factoring services are regulated by the RBI, under the general framework of regulations applicable to banking companies and NBFCs, respectively. NBFCs are required to be registered with the RBI and are subject to prudential norms, including specified exposure ceilings. Further, factoring entities require authorised dealer registrations from the RBI to engage in international factoring. The ceiling on bank credit to NBFCs has been withdrawn in respect of NBFCs which are registered with the RBI and which are principally engaged in factoring activities.

The Factoring Bill was recently introduced in the lower house of the Indian Parliament by the MoF, GoI, and we understand that it has subsequently been referred to the Parliamentary Standing Committee of Finance for further review. The Factoring Bill, if enacted, is expected to provide the factoring sector with an established regulatory framework.

For more information, see “– **Growth Drivers for Factoring in India**” below and “**Risk Factors**” and “**Regulations and Policies**” on pages xii and 71, respectively.

### *Factors Affecting the Growth of Factoring in India*

An indicative list of factors hindering the growth of the factoring companies and NBFCs in India, such as us, is provided below:

- (i) *Inherent advantages of banks:* The banking sector is able to provide financing to clients more efficiently and economically on account of various regulatory and logistical factors, including availability of low-cost deposits as opposed to higher-cost short-term borrowings available to NBFCs providing factoring services, higher net-owned funds, resulting in higher single and group exposures permitted for the banking sector, access to the SARFAESI and the Debt Recovery Act), assignment of first charge on assets of the client resulting in lower-priority charges available to NBFCs providing factoring services and larger captive customer bases. (*Source: SIDBI Factoring Report*)
- (ii) *Ineffective legal enforcement of recovery:* A significant segment of the factoring sector in India comprising NBFCs, other than certain notified financial institutions, does not have access to the SARFAESI and the Debt Recovery Act, which are the primary recovery laws in India. A substantial portion of ‘with recourse’ factoring transactions in India is collateralised. However, since a significant number of factoring entities do not have access to SARFAESI provisions, in the event of default, they are required to initiate civil proceedings for recovery, which are not as effective or efficient as the mechanisms prescribed under the SARFAESI or Debt Recovery Act. Factoring companies accordingly view recovery proceedings as cumbersome, and are more selective in terms of their clientele, preferring clients with established credit ratings, thereby reducing their client base (*Source: SIDBI Factoring Report*).
- (iii) *High stamp duty:* The high stamp duty applicable to assignment deters a substantial number of factoring entities in India from executing deeds of assignment pursuant to factoring transactions. Factoring entities typically execute a factoring agreement with a power of attorney to exercise assignment. In the event of a default, the power of attorney is exercised and deed of assignment is executed with the applicable stamp

duty being paid. Such stamp duty is higher than stamp duty applicable to numerous banking products, which puts factoring entities at a disadvantage. (Source: *SIDBI Factoring Report*)

- (iv) *Weak credit information infrastructure:* Owing to weak credit information infrastructure in India, factoring entities face difficulties in procuring credit information of their prospective clients, and have to rely largely on bank reports. A nationwide credit bureau, *i.e.*, CIBIL, has only recently become operational in India and while the RBI has recently approved the creation of other credit information bureaus, the availability of credit information in India may be considered to suffer from an absence of competitive pressure at present. Factoring entities in India have also been unable to compile extensive databases as they do not presently report information from retailers, utility companies and trade creditors. CIBIL provides information on defaulters, but receives delayed notification by member financial institutions of settlement of dues and is thus delayed in updating such data. Thus, a prospective client may be rejected in spite of settlement of all dues. Factoring entities are further necessitated to undertake internal due diligence procedures, which may not offer adequate protection. Separately, India has only recently established an online collateral registry, but this registry only covers corporate entities. As a result, there may be relatively less financial and credit information available on clients, in particular on SMEs, than may have been available to a factor in a more developed economy. (Source: *SIDBI Factoring Report*)
- (v) *Availability of credit insurance:* The high cost of credit insurance, coupled with the conservative risk appetite of credit insurance companies leading to their reluctance to provide credit insurance to factoring entities and the difficulty in settlement of genuine claims with insurance companies in India hinder the availability of credit insurance to factoring entities in India. (Source: *SIDBI Factoring Report*)
- (vi) *Inefficient contract enforcement:* Contract enforcement in India is not as efficient as other jurisdictions where there are fewer procedural requirements, and where court documents are electronically accessible. Further, contract enforcement in the case of factoring is further hindered in India on account of insufficient understanding of the factoring business, as well as on account of ambiguities in the application of general commercial and bankruptcy laws applicable to factoring, and the absence of specific legislations governing factoring. (Source: *SIDBI Factoring Report*)
- (vii) *Inflationary pressures:* The wholesale price index inflation rate was 9.7%, 8.7% and 9.1% in March, April and May 2011 respectively. The main drivers of wholesale price index inflation in April and May 2011 were non-food primary articles, fuel group and non-food manufactured products. Inflationary pressures, including as a result of global economic conditions, may result in reduced liquidity and higher interest rates in the Indian economy, which in turn may increase the cost of funds for financing institutions, including factoring entities, in India. (Source: *Reserve Bank of India, Mid-Quarter Review Monetary Policy Review, June 2011*)

#### *Growth Drivers for Factoring in India*

An indicative list of key growth drivers for the factoring sector in India is provided below:

##### *(i) Proposed regulatory framework for factoring*

The Factoring Bill, which was recently introduced in the lower house of the Indian Parliament by the GoI, Ministry of Finance, if enacted, is expected to provide the factoring sector with an established regulatory framework, providing structure to, and streamlining, the factoring process. The Factoring Bill provides for every factor being required to obtain a certificate of registration from the RBI prior to commencement and carrying on of factoring business. In the event the factor is registered as an existing NBFC, the RBI may issue a fresh certificate of registration as a factor, if the NBFC is principally engaged in factoring business. The Factoring Bill further proposes, among other things, compulsory registration by the factor of every transaction of assignment of receivables with the Central Registry set up under the SARFAESI, consequent to which the factor would become eligible to certain benefits under the SARFAESI.

The Kalyanasundaram Committee Report had also recommended that stamp duty on assignment of book debts in favor of a factor be exempted. In the event this proposal is implemented, it is expected that the transaction costs would be considerably reduced and enforceability of factoring transactions in India would be considerably improved. (Source: *SIDBI Factoring Report*)



For more information, see “*Regulations and Policies in India*” on page 71.

(ii) *Reform of credit information infrastructure in India*

Factoring entities in India lack adequate credit information in respect of prospective clients on account of the credit information infrastructure in India. Reform in existing credit information entities specifically with respect to time-bound updation of records and complete credit history of clientele is expected to facilitate efficient identification of clients as well as reduce costs for factoring entities, by reducing the level of internal due diligence required to be undertaken in respect of clients. At present, 187 credit institutions are members of the CIBIL, and its database comprises 150.00 million accounts. The coverage of credit information provided by the CIBIL is only 10.50% of the adult population as against 100.00% in case of several developed countries like Australia, Canada, the United States of America and the United Kingdom. In April 2009, RBI issued in-principle approvals to the establishment of three more credit information companies, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and Highmark Credit Information Services Private Limited. In due course, the flow of credit information is expected to become more efficient and to have wider coverage, which would lead to access to relevant information to factoring entities, as well as clients and their debtors, which in turn would dispel the uncertainty which exists today in their decision making process. (Source: *SIDBI Factoring Report*)

*Outlook for Factoring in India*

Under the open-account sales methodology, the potential for factoring turnover by 2014-2015 is estimated to vary between ₹ 2,247.0 billion and ₹ 2,472.0 billion, depending on either continuity in the present trend of 20.0% of financing of open account sales taking place through factoring, or in a scenario of shift of 2.0% of open account sales from traditional sources of bank finance to factoring, resulting in 22.0% of financing of open account sales taking place through factoring. (Source: *SIDBI Factoring Report*)

Although the growth in factoring in India between 2004 and 2008 was recorded at 220%, compared to growth in world-wide factoring volumes over the same period of 74.50%, the share of factoring turnover in India in 2010 was only 0.17% of global volume of factoring turnover. Further, the contribution of factoring products in meeting total working capital requirement of companies in India in 2010 was estimated to be nearly 0.50%. The sector is expected to demonstrate growth in future years, especially in consideration of the following factors:

- (i) wider recognition and awareness of the potential benefits of factoring;
- (ii) the continued improvement of performance of the automotive and ancillaries sector on account of sustained improvement in demand aided by improving liquidity, lower interest rates, customer confidence, economic environment and favorable demographics bolstered by higher per-capita income levels;
- (iii) robust domestic demand for and positive performance expectations of the textile and apparel industry;
- (iv) formulation of comprehensive legislation to address legal hurdles affecting growth of factoring; and
- (v) general revival of economic conditions in India. (Source: *World Factoring Yearbook 2010 and FCI Statistics*©)

## OUR BUSINESS

### Overview

We are a financial services company, providing factoring solutions across various industries. Factoring is a continuing financing arrangement, where a business concern assigns its accounts receivable to a third party such as us called a “factor” at an agreed discount and factoring fee, which typically provides immediate liquidity to finance the operations of the business concern. Our primary business is to provide domestic sales bill factoring, supported by our other factoring products and allied financing services such as our short term corporate loans business.

We believe that we enjoy an early mover advantage in the domestic factoring business in India. Our Company was incorporated as Foremost Factors Limited in December 1995 and changed its name to IFCI Factors Limited in January 2009, pursuant to its acquisition by IFCI in 2008. IFCI, the Promoter of our Company, was established by an Act of Parliament on July 1, 1948. It was corporatised in July 1993 and is presently registered with the RBI as a systemically important NBFC-ND-SI and is a notified PFI under Section 4A of the Companies Act. IFCI is one of India’s oldest development financial institutions established after India’s independence, providing infrastructure financing, medium and long term project finance mainly to the manufacturing sector, as well as allied corporate advisory services.

Our product offerings are comprised of factoring and variants of factoring related products in accordance with our credit policy, which is tailored to suit the financing requirements of our clients, including SMEs. The products we offer include domestic sales and purchase bill factoring, advance against future receivables, export factoring and bill discounting under letters of credit, supported by our allied financing services such as short term corporate loans. With significant experience in the factoring industry in India and our network of regional marketing representatives, we have built an extensive and diverse client base and expertise across industry sectors and geographies, particularly in the manufacturing sector. As SME clusters are scattered across India with concentration in Tier II and Tier III cities and towns, we have strategically located our representatives in seven locations across India, and are seeking to expand our regional marketing network further. We are also a member of the FCI, which is a global network of factoring companies, whose common aim is to facilitate international trade through factoring and related financial services.

We are regulated by the RBI as an NBFC-ND-SI. We believe that our NBFC-ND-SI classification provides us with significant operational flexibility and enables us to effectively capitalize on available financing opportunities in India. Our primary sources of funds include equity capital, internal resources and borrowings from our Promoter and other lenders. Our borrowings from commercial banks and other financial institutions are typically backed by a letter of comfort authorised by the board of directors of our Promoter. We currently enjoy credit ratings of CARE A (SO) (A (Structured Obligation)) in respect of our long term Rupee borrowings and CARE A1+ (SO) (A One Plus (Structured Obligation)) in respect of our short term Rupee borrowings, from CARE.

We have established a track record of consistent financial performance and growth. Certain of our key growth and efficiency indicators in fiscal 2011, 2010 and 2009 are set forth below:

(₹ in million)			
Certain Key Operational Indicators	Fiscal 2011	Fiscal 2010	Fiscal 2009
Turnover	26,834.60	11,640.00	4,023.10
FIU (as on March 31)	8,568.64	3,027.49	1,116.06
Average earning on FIU	15.32%	15.74%	16.56%
NIM	7.50%	11.17%	12.19%
GNPA as % of FIU	1.31%	2.58%	-
NNPA as % of FIU	1.18%	2.32%	-
CAR	20.39%	36.14%	87.59%

For more information on our key operational indicators, see “*Selected Statistical Information*” on page 126.

In fiscal 2011, 2010 and 2009, our turnover was ₹ 26,834.60 million, ₹ 11,640.00 million and ₹ 4,023.10 million, respectively, while our FIU as on March 31, 2011, 2010 and 2009, aggregated to ₹ 8,568.64 million, ₹ 3,027.49 million and ₹ 1,116.06 million, respectively. Our total income increased from ₹ 29.74 million in fiscal

2007 to ₹ 801.07 million in fiscal 2011, at a CAGR of 127.82%. Further, our net profit after tax as restated increased from ₹ 7.09 million in fiscal 2007 to ₹ 200.68 million in fiscal 2011, at a CAGR of 130.66%.

## Competitive Strengths

We believe that the following are our primary competitive strengths:

### ***Strong Relationship with Promoter and brand recognition.***

Our Promoter, IFCI, was established by an Act of Parliament on July 1, 1948. It is presently registered with the RBI as an NBFC-ND-SI and is a notified PFI under Section 4A of the Companies Act. IFCI is one of India's oldest development financial institutions established after India's independence, providing infrastructure finance, medium and long term project finance mainly to the manufacturing sector, as well as allied corporate advisory services. For more information on other entities promoted by our Promoter, see "***Our Promoter and Group Entities***" on page 90.

As a result of our relationship with our Promoter, we believe that we enjoy strong brand recognition for the use of the 'IFCI' name, access to our Promoter's clientele as a significant debtor base for our factoring transactions, equity and debt funding, human resources and other infrastructure support from our Promoter. As on March 31, 2011, 32.99% of our outstanding borrowings were from our Promoter on an arm's length basis. Our borrowings from commercial banks and other financial institutions are typically backed by a letter of comfort authorised by the board of directors of our Promoter. Further, three of our directors, including our non-executive chairman, Atul Kumar Rai, are nominees of our Promoter and bring to our Board the benefit of their considerable management experience and their industry relationships, including in the non-banking financial services and corporate sectors. With our Promoter and our other Group Entities operating under the 'IFCI' brand, we believe that the 'IFCI' brand provides us with market recognition and has been one of the key drivers of our growth in recent years.

### ***Established client relationships and diverse clientele across India.***

We believe that we enjoy an early mover advantage in the domestic factoring business in India. With significant experience in the factoring industry in India and our network of regional marketing representatives strategically located across India, we have built an extensive and diverse client base across industry sectors and geographies. As on March 31, 2011, 11.25% of our FIU was in the auto ancillary industry, followed by 8.89% in the metal/steel industry, 8.17% in real estate, 8.16% in pharmaceuticals, 6.67% in infrastructure, 5.30% in information technology-software, 4.88% in textiles and garments, and the remainder in chemicals, energy and power, electrical/electrical ancillary, engineering and other sectors. Our spread across sectors reduces our exposure to risks of any one particular sector.

We have witnessed growth of 37.04 times in our FIU and growth of more than 5.50 times in customers in the last three fiscal years. Our repeat customers year-on-year (in terms of number) accounted for 46.97% of total customers as on March 31, 2011, 42.65% as on March 31, 2010 and 38.71% as on March 31, 2009 and our FIU growth from repeat customers year-on-year was 36.41% as on March 31, 2011, 23.08% as on March 31, 2010 and 16.80% as on March 31, 2009. Over time, we have strengthened our relationships with our clients and, as a result, have been able to offer a wider range of our financing products to them, and have explored opportunities across their value chain, including suppliers, clients and partners of our clients. We have also used our expertise to provide a diversified portfolio of offerings to address the challenges faced by our clients in various industries. We believe that our being one of the few private sector companies in India whose core business is factoring, as well as our enduring relationships with our clients and keen understanding of key credit issues place us in a unique position in the Indian factoring industry, which is currently at a nascent stage.

### ***Comprehensive credit appraisal and risk management policies.***

Over the years of our operation, we believe that we have developed extensive knowledge in the factoring business in India and comprehensive credit risks policies and procedures. Our credit policy has been formulated in accordance with Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ("**NBFC Prudential Norms**"), to maintain asset quality and maximize yield through a risk-based pricing model, while addressing the funding needs of the Indian SME sector in particular, which presently suffers from limited ability to access traditional working capital finance, in part due to their

inability to offer collateral. As per our credit policy, and given our diverse and extensive client base, our exposure to any single industry sector, individual borrower or group, or to any market is limited, which we believe reduces our vulnerability to changes in the economic climate in general, and sectoral changes in particular. Further, our credit policy guides our internal risk appraisal and control mechanisms, including through the establishment of various pre-disbursal eligibility criteria and due diligence requirements, such as the use of field survey audits, and the execution of a tripartite agreement to assign receivables by the debtor from our client to us, creation of various security and quasi-security arrangements. We have also recently appointed a dedicated Risk Manager, whose responsibilities include the preparation of an internal risk rating model and who will report directly to our Managing Director and engage third party independent chartered accountants as our field survey auditors. We believe that our credit appraisal and risk management policies and procedures enable us to effectively appraise and extend financial assistance to clients including SMEs across industry sectors

### ***Track record of consistent financial performance and growth.***

We have achieved significant growth in recent years, with a focus on increasing the quality of our assets, which we believe is due in part to the nature of our business and the way our operations are structured, and in part due to our comprehensive credit policy. In fiscal 2011, 2010 and 2009, our turnover was ₹ 26,834.60 million, ₹ 11,640.00 million and ₹ 4,023.10 million, respectively, while our FIU as on March 31, 2011, 2010 and 2009, aggregated to ₹ 8,568.64 million, ₹ 3,027.49 million and ₹ 1,116.06 million, respectively. Our total income increased from ₹ 29.74 million in fiscal 2007 to ₹ 801.07 million in fiscal 2011, at a CAGR of 127.82%. Further, our net profit after tax as restated increased from ₹ 7.09 million in fiscal 2007 to ₹ 200.68 million in fiscal 2011, at a CAGR of 130.66%. We believe that our track record of consistent financial performance enables us to service our existing debt and financing obligations, capitalize on attractive financing opportunities in India and to continue to grow our business.

### ***Qualified and committed management and employee base.***

We believe that our qualified and committed management and employee base and efficient and lean organisational structure enable us to control operating costs, implement efficient and consistent operational parameters and develop client relationships across sectors and geographies. We believe that our management team, including Rakesh Kapoor, our Managing Director and J.R. Jain, our Vice President (Credit and Operations), who each have close to 35 years of experience in corporate and financial sectors, have been instrumental to our success. Our personnel policies are aimed at recruiting and retaining talented and experienced employees, and facilitating their integration into the Company and encouraging the development and upgradation of their aptitude and skills. Our regional representatives who source business possess years of experience in financial services, particularly factoring services, and are able to identify potential risks in transactions at an early stage, which we believe has reduced our turn-around time. We are also committed to enhancing the motivation of our employees, and have adopted requisite performance management systems and our performance-linked incentive scheme (“**PLI Scheme**”). As we continue to expand our operations, we believe that our ability to recruit, train and motivate our employees will play a significant role in expanding and enhancing our market penetration.

### ***Robust information technology systems and infrastructure.***

We have implemented an organization-wide operations management system customised to our factoring and allied businesses, which we are in the process of integrating with our customer relationship management (“**CRM**”) system. This facilitates day-to-day management of invoices and client accounts, enabling us to track our accounts with reasonable accuracy and reduce our turn-around time. We have integrated contingency and backup mechanisms in our information technology systems and infrastructure, to avoid loss of data and to maintain continuity. We have undertaken training programmes for our employees across our locations, to enable them to use our information technology systems and infrastructure efficiently. We also subscribe to a specialised desktop-based analytical application that provides us with access to a wide corporate database, that we use to identify and source business, as well as in our credit appraisal processes. In addition, we have implemented a centralized proprietary data security system to prevent, detect, monitor and eliminate unauthorized access to our network resources and computer hardware. We believe that our focus on adopting and maintaining robust information technology systems and infrastructure have improved our operational efficiencies and internal controls, and are a valuable marketing tool contributing to the growth of our business.

## **Business Strategy**

Our key business strategies are as follows:

***Capitalize on the growth of the Indian SME sector.***

Our clientele is primarily comprised of SMEs, for whom factoring offers a viable and efficient medium of financing. SMEs contribute 45% of the industrial output, 40% of exports, 60 million in employment, with generation of 1.3 million employment opportunities annually and produce more than 8,000 quality products for Indian and international markets. (Source: *SMBDCI Report*). Further, while the factoring business in India and worldwide have grown in recent years, with domestic factoring turnover of Indian factoring industry growing at a CAGR of 34.5% during 2004-2008 and international factoring turnover of Indian factoring industry growing at a CAGR of 26.6% during the same period and their total factoring turnover constituting 0.68% of India's GDP in 2008, India's factoring volumes currently still account for a very small percentage of global factoring volumes (Source: *SIDBI Factoring Report*). The MMSME has identified access to credit as one of the priority areas, for evolving and implementing initiatives to facilitate growth in the micro, small and medium enterprises ("MSME") sector, including through reform in the legal and regulatory framework for factoring in India. With factoring as our primary business, we believe that we are well positioned to leverage the growth and performance of the Indian economy, in particular in the SME sector.

For more information on the factoring industry in India and worldwide, as well as on the Indian economy and the SME sector in particular, see "*Industry Overview*" on page 45.

***Expand our portfolio size and market reach, with diversified factoring products.***

We intend to continue to leverage our client relationships and industry expertise in our existing product lines to grow and diversify our factoring portfolio, in particular, through expanding our existing network of regional marketing representatives in additional Tier II and Tier III cities and towns where SME clusters are located. We are also continuing to explore opportunities to cross-sell our factoring products to our clients. We seek to continue to increase our market share, average earnings on FIU and NIMs, by expanding and improving our geographical reach and infrastructure, expanding and strengthening our relationships, especially with SMEs, and by further developing our existing product offerings. We also seek to explore opportunities for a foreign line of credit to boost our export factoring business, as we believe that growth in the Indian export sector would provide a growth opportunity for our export factoring business.

We endeavour to structure our products to meet the specific requirements of our clients, particularly in the SME sector. Under our credit policy, we may introduce other variants of factoring related products with accepted risk and returns. Such products, if and when contemplated, would be introduced only after approval by the Credit Risk Management Committee of our Board. We believe that our strategy of product and market diversification and our geographic expansion would enable us to better withstand any sector, group and market specific risks and pressures affecting our client base, including in the event of a market-wide economic slowdown.

***Reduce cost of funds.***

We seek to maintain and improve our credit ratings and credit profile, in order to reduce our reliance on our Promoter as a guarantor of our borrowings from other lenders. Our primary sources of funds include equity capital, internal resources and borrowings from our Promoter and other lenders, including term loans, working capital loans and cash credit against hypothecation of receivables, with a majority of our borrowings presently being linked to the base rate. In the future, we intend to reduce our cost of funds, through exploring various funding options available to us from time to time. Specifically, going forward, we seek to explore opportunities for raising short term funds through money market instruments such as commercial paper with tenor of 90-180 days, and a foreign line of credit to boost our export factoring business.

***Leverage our relationship with our Promoter and continue to promote our brand.***

We intend to continue to leverage our relationship with our Promoter, including through facilitating our access to our Promoter's clientele as a significant debtor base for our factoring transactions, as well as human resources and other infrastructure support and our continued use of the 'IFCI' brand, to familiarize our client base with our factoring products and allied services and thereby expand our business and profitability. Following this Issue,



our Promoter will continue to be a majority shareholder of our Company, and we expect that we will continue to benefit significantly from our continuing relationship with our Promoter and Group Entities.

In addition, we believe that our participation in industry forums and events, including those organized with or by associations such as the SME Chambers of Commerce across regions in India, will add to the recognition of our services and our brand among our core client base, where we can leverage our association with the 'IFCI' brand. We are also a member of FCI, which is a global network of factoring companies whose common aim is to facilitate international trade through factoring and related financial services. Currently, the FCI network counts 257 factors in 68 countries, actively engaged in more than 80% of the world's cross-border factoring volume. (Source: FCI Statistics©) We believe that our membership of FCI will continue to broaden our market penetration and enhance our market credibility, as well as adding to the recognition of our services and the 'IFCI' brand internationally, especially as we continue to seek opportunities in export factoring in the future.

## **Business Operations**

Our primary business is to provide factoring products, supported by our other allied financing services such as short term corporate loans. The industry sectors in which we provide our services include the automotive, metal/steel, engineering, pharmaceuticals, textile, real estate, chemicals, infrastructure, electrical, power, hospitality, education and logistics sectors.

### ***Structure of Transaction***

Factoring is a continuing financing arrangement, where a business concern, or client, assigns its accounts receivable on its debtors, to a third party, called a factor, such as us, for a percentage of the factored receivables, designed to compensate for the book keeping and collection services provided by the factor, in return for immediate money paid by the factor to the client. For more information on the general factoring mechanism and the parties thereto, see "***Industry Overview***" on page 45.

Factoring is a financial package that combines swift access to working capital financing, accounts receivable book-keeping and collection services. We typically offer our services to SMEs with an annual sales turnover, typically ranging from ₹ 150 million to ₹ 2,500 million. As per our current credit policy, factoring facilities are offered with recourse to clients for their trade transactions with their debtors, where the client remains liable for non-payment by a debtor under an invoice (as distinguished from transactions where the originator bears the risk of non-payment by a debtor in full). Our client sells its goods to its own client, which is the debtor, and arranges a notice of assignment of receivables from the debtor, where the debtor undertakes to make payments due as on date and in the future in respect of all the invoices raised by the client to our Company. Facilities extended are generally not secured by mortgage of assets, but are typically backed by post dated cheques for the amount of the sanctioned facility from the client (and, in certain cases, from the debtor) and by personal guarantees of the promoter(s) and/or director(s) of the client.

All of our factoring and other allied products' sanction documentation typically includes an interest reset clause and permits the withdrawal of any rolling facility at our discretion. In our factoring business, our clients assign their account receivables to our Company and 80-90% of the value of invoices they raise on their debtors is paid to them by our Company up front (with the remainder being retained as a margin for factoring fee), generally for a payment cycle of 60-120 days. When we factor an account receivable from a client, we record the receivable as an asset, record a liability for the funds due to the client and credit the factoring fee and discount, to our income from operations. For more information, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 130.

### ***Our Factoring Business***

As of March 31, 2011, our factoring business accounted for 69.50% of our total FIU. We presently offer the following factoring products:

#### ***Domestic sales bill factoring***

We introduced our domestic sales bill factoring facility in fiscal 1997. Domestic sales bill factoring is a financial service, where a transaction of a client is assigned to us and each invoice of goods to a domestic buyer located within India, is assigned to our Company. The client receives prepayment typically up to 80-90% of the invoice

value immediately. Our sales bill factoring facility, which is targeted primarily to SMEs, is offered to clients that have an annual sales turnover, typically ranging from ₹ 150 million to ₹ 2,500 million. As on March 31, 2011, our domestic sales bill factoring business accounted for 54.59% of our FIU, and our income from our domestic sales bill factoring business accounted for 59.18% of our total income in fiscal 2011.

#### *Reverse or purchase bill factoring*

We introduced our reverse or purchase bill factoring facility in fiscal 2010. Reverse or purchase bill factoring is a financial service provided to the client, where the purchase made by the client are financed by our Company thereby facilitating payment directly to the suppliers for purchases made locally. This facility is intended only for clients with minimum short term rating of 'P3' by CRISIL or the equivalent by other reputed rating agencies, and is typically backed by tangible collateral. For reverse or purchase bill factoring, we apply a minimum annual sales turnover criterion of ₹ 1,000 million. This facility is generally not extended on a standalone basis. We offer this facility selectively to clients to whom we have offered domestic sales bill factorings services and where our experience with the client has been good. We seek to limit the proportion of purchase bill factoring to a lesser percentage of FIU, as compared to the domestic sales bill factoring services provided. As on March 31, 2011, our domestic reverse or purchase bill factoring business accounted for 12.45% of our FIU, and our income from our domestic reverse or purchase bill factoring business accounted for 17.61% of our total income in fiscal 2011.

#### *Advance against future receivables*

We introduced our advance payment against future receivables facility in fiscal 2010. This facility involves advance payment to a client, repayable in equated monthly installments, against cash flows from identifiable future receivables of the company. For advance against future receivables, we generally apply a minimum annual sales turnover criterion of ₹ 150 million (except in the case of group companies of large industrial houses) and certain parameters for debtors' qualification, viz., minimum net worth of ₹ 20 million, minimum net sales of ₹ 250 million, profitability for the last two years, the company being in existence for a minimum of three years and the absence of accumulated losses. As on March 31, 2011, our advance against future receivables business accounted for 2.32% of our FIU, and our income from our advance against future receivables business accounted for 4.23% of our total income in fiscal 2011.

#### *Export Factoring*

We introduced our export factoring facility in fiscal 2008. Export bill factoring is a financial service, where the client invoices the goods to a buyer located outside India, assigns the invoice to our Company and receives prepayment typically up to 80-90% of the invoice value up front. Our export factoring facility is provided for document against payment ("DAP") bills, document against acceptance ("DAA") bills and on open account terms, to clients with minimum specified rating (at least 'BB' rating). We provide this facility as a member of FCI, as per the FCI approved general terms and conditions. As a part of this service, we may also provide credit risk protection on the debtor, generally on the basis of a credit guarantee obtained from an import factor (which would also bear the collection risk), sovereign credit guarantee institution or other insurance company. As on March 31, 2011, our export factoring business accounted for 0.13% of our FIU, and our income from our export factoring business accounted for 0.15% of our total income in fiscal 2011. Going forward, we seek to explore opportunities for a foreign line of credit in order to boost our export factoring business.

#### **Other Factoring Products**

##### *Bill discounting under letters of credit*

We introduced our bill discounting under letters of credit facility in fiscal 2010 for both domestic and export transactions, under letters of credit opened by first class banks (i.e., in the case of domestic letters of credit, a scheduled bank, and in the case of export letters of credit, a bank with minimum rating of 'C' by Moody's or the equivalent by other reputed rating agencies). As the exposure on a client is only through the letter of credit with the due dates confirmed by the issuing bank, we do not undertake detailed assessment of the financial statements of the client or field survey audits. Likewise, this facility is not subject to internal or external ratings of the client as the exposure is assessed on the strength of the letter of credit issuing bank. As of March 31, 2011, we have no exposure in respect of this facility.



## ***Other Business***

### ***Short term corporate loans***

We started our short term corporate loans business in fiscal 2011, with the objective of balancing risks inherent to the factoring business, to cater to a broader clientele and to increase our operational flexibility. Our corporate loans business enables us to provide more varied financing options to our existing as well as new clients, tailored to their specific requirements. We believe that our relationship with our Promoter and our access to its clientele provide us with a competitive advantage, particularly in respect of our short term corporate loans business. The tenor of our corporate loans normally extends to up to two years. Such loans are offered only to mid and large sized listed corporates with investment grade ratings, or to their holding companies. The facilities are generally backed by pledge of shares of the listed entity (covering the amount of the loan by 2 to 3 times the loan amount), post dated cheques of the interest and principle amount and personal guarantees of promoter and/or director. The terms of the facility stipulate that in case of failure of the borrower to provide cash margin in the case of fall in the market price of pledged shares by 25% or more, we reserve the right to sell the pledged shares without notice to the borrower or any legal intervention. As on March 31, 2011, our corporate loans business accounted for 30.50% of our FIU, and our income from our short term corporate loans business accounted for 18.83% of our total income in fiscal 2011.

### ***Credit Policy***

In our factoring business, as we primarily service small and medium enterprises with an annual turnover ranging typically from ₹ 150 million to ₹ 2,500 million. We consider the soundness of a client's debtor's financials and their ability to pay, rather than solely considering the financial soundness of the client itself. We have adopted NBFC Prudential Norms that provide guidance on aspects of our financial operations including asset classification, provisioning, income recognition, asset concentration and investment limits. In addition, we have adopted norms laid down by our credit policy, reviewed at least annually in order to align it with the macroeconomic and regulatory environment, market conditions and our own organisational needs, strategies and risk appetite. Our credit policy governs prudential exposure limits which may be more stringent than the ones laid down by RBI norms, creation and management of our business segments and product offerings, credit assessment and approval systems, margin and security management, pricing and risk management systems, as well as use of field survey audits. For instance, though the RBI has, at present, prescribed a provisioning requirement of 0.25% on standard assets for NBFC-ND-SIs, considering the unsecured nature and risks involved in the factoring business, under our current credit policy, we have adopted a more conservative provision of 0.50% on the standard assets of our Company.

Our credit department is responsible for drafting and reviewing our credit policy from time to time. The implementation of our credit policy is overseen by our Board of Directors, supported by our Credit Committee constituted under our credit policy. Our Credit Committee consists of our Managing Director, Head of Credit and Operations, Chief of Strategy & Marketing, and Senior Assistant Vice President of Marketing. We also have a dedicated Risk Manager, whose responsibilities include the preparation of an internal risk rating model, and who reports directly to our Managing Director.

## ***Our Business Process***

### ***Marketing and Sourcing Process***

Our access to our Promoter's clientele, and referrals from our existing clients are the two primary sources of business for us. We actively participate in industry events to build relationships among our potential client base, in particular in the SME sector. Our website has been effective in dissemination of knowledge about our products and our brand and has also provided us with leads for our business. We provide our export bill factoring facility as a member of FCI, in accordance with FCI approved general terms and conditions. Our marketing department, headed by one of our key managerial personnel, Soumendra Ghosh (Chief – Strategy & Marketing), is the primary point of contact for our clients and is responsible for sourcing of business proposals. Our marketing department undertakes the first level of appraisal and risk identification, structures the transaction, and owns the overall execution of the deal until disbursement of funds. Apart from sales personnel in New Delhi, we also have regional sales personnel across Mumbai, Chennai, Ahmedabad, Kolkata, Hyderabad and Bangalore.

### *Client Selection Criteria*

Once we have made a client pitch or a client has approached us with interest in availing of our facilities, we evaluate the client's eligibility for financing and accordingly identify the product offering best suited to the client's requirements. As per our current credit policy, our overall framework selection criteria (in respect of both client and debtor), by which our marketing and credit departments are guided, include the following:

- Company in existence for minimum three years;
- Profitable for the last two years;
- Minimum turnover: For sales bill factoring targeted primarily to SMEs, we consider clients with an annual sales turnover ranging from ₹ 150 million to ₹ 2,500 million. For reverse or purchase bill factoring, we apply a minimum annual sales turnover criterion of ₹ 1,000 million;
- Minimum borrower's net worth: For sales bill factoring targeted primarily to SMEs, we take an eligibility threshold, in terms of minimum net worth of ₹ 10 million. However, for reverse or purchase bill factoring, we apply a minimum net worth criterion of ₹ 250 million and for 'silent' factoring, as explained below, we apply a minimum net worth criterion of ₹ 200 million (for more information on 'silent' factoring, see "**- Legal Documentation & security creation**" below);
- Maximum Total Outside Liabilities/Total Net Worth ("**TOL/TNW**") ratio of 6:1;
- Current ratio not less than 1.1:1; and
- Clients' or their promoters' or whole-time directors' names not appearing in the list of defaulters/wilful defaulters maintained by Credit Information Bureau of India Limited ("**CIBIL**"), as per RBI guidelines.

### *In-principle Approval*

As part of pre-sanction appraisal, we evaluate the client with reference to a set of qualitative and quantitative factors guided by our current credit policy.

A first level of due diligence is conducted by the relationship manager on the client, its debtors and the underlying transaction to be factored to prepare a synopsis of the proposal, which is then presented along with the financials of the client and other documents including bank facility statements to our Credit Committee for an in-principle approval. An approval at this stage indicates our intention to take the proposal forward subject to verification of all the information provided by the client. Following an in-principle approval, the proposal is taken up by our credit team for thorough due diligence and analysis.

### *Pre-sanction Appraisals: Due Diligence and Field Survey Audit Procedures*

Thereafter, our credit department, headed by one of our key personnel, J.R. Jain, our Vice President (Credit and Operations) takes over the transaction, including the second level of appraisal and drafting of the credit proposal for the consideration of the Credit Committee.

In the case of our sales bill factoring business, due diligence is conducted on the debtor on aspects including the financial performance of the debtor, past business relationship of the client with the debtor, past payment track record of the debtor (with client as well as with our Company), inspection reports from empanelled information providers including our field survey agents, credit rating assigned by independent credit rating agencies, where available, and review of the industry of operation. We conduct due diligence on our client's working capital needs, current working capital facilities and its utilisation and the client's track record in servicing its bank facilities. We ascertain the client's need for further working capital to ensure that short term funds are not diverted to long term investments. In the case of debtors being small or mid-sized private limited companies where financial information is not available, scrutiny of the debtor's sales ledgers in the books of the clients for a period of six months is conducted to evaluate the past payment track record.

In addition to our own due diligence, to verify all information provided by the client pertaining to its ledgers of transactions with its debtors and its banking facilities, we carry out field survey audits, where we engage independent chartered accountants who are empanelled with our Company to undertake the audits. This process typically involves a visit by an independent chartered accountant to the client's headquarters, and inspection and review of relevant documents. Field survey audit reports cover on-site review of client transactions, bank account conduct, any abnormalities in financial performance or accounts of a client and availability or adequacy of the suggested transaction documents for appropriate disbursement of factoring facilities by our Company. As per our current credit policy, facilities are sanctioned to new clients only after receipt of satisfactory field survey audit report.

However, in the case of our letters of credit backed factoring business, as our exposure on a client is proposed on pure letter of credit discounting with the due dates confirmed by the issuing bank, which, as per our current credit policy is required to be a first class bank (*i.e.*, in the case of domestic letters of credit, a scheduled bank, and in the case of export letters of credit, a bank with minimum rating of 'C' by Moody's or equivalent by other reputed rating agencies), neither a detailed assessment on the financial performance of the client nor field survey audit is typically undertaken. For the same reason, the facility is also not subject to internal or external ratings of the client.

In case of our export bill factoring business, transactions are generally backed by a credit guarantee from an import factor, sovereign credit guarantee institution or other insurance company.

#### *Sanction Processes*

While proposals for financial assistance less than ₹ 50 million could be sanctioned by our Credit Committee, all proposals for financial assistance above ₹ 50 million are required to be approved by our Committee of Directors, on the recommendation of our Credit Committee. Transactions for which pre-requisite documentation has not been completed within 90 days of the transaction having been approved, as well as transactions where there has been a significant delay in availment of sanctioned facilities, are required to be reviewed afresh by our Credit Committee prior to disbursement.

#### *Legal Documentation & security creation*

On the completion of necessary appraisal procedures as per our credit policy, a letter conveying the terms of the facility is sent to the client for their acceptance.

Once the sanction terms are accepted, the legal documentation preceding disbursement commences. The standard documentation supporting any typical factoring transaction includes a notification for assignment of receivables to us by the debtor. Factoring in general, and sales bill factoring in particular, is a transaction-based product, where the facility is considered on the basis of the credentials of the client and the debtor and the client's transaction track records. Unlike in the case of traditional sources of working capital finance, factoring facilities extended by us are generally not secured by mortgage of assets, but are typically backed by notice of assignment of receivables by the debtor, post dated cheques for the amount of the sanctioned facility from our client (and, if needed, from the debtor as well), and by personal guarantees of the promoters and/or directors of the client. For more information on how factoring differs from traditional sources of working capital, see "**Industry Overview**" on page 45.

Further, in certain instances, we seek to manage our exposure to risk through the creation of a designated escrow account into which the debtor remits the payment due to us, explicitly acknowledging the factoring arrangement. Alternatively, we may be required in certain cases to enter into a 'diluted' escrow arrangement, where the debtor remits the payment into an escrow account in favor of our client, without explicitly acknowledging the factoring arrangement. In transactions where the debtor is unable or unwilling to acknowledge or be a party to the assignment of receivables to us, *i.e.*, in the case of 'silent' factoring, we seek payment from our client on the due date of the invoice. We accept this mechanism in cases where the debtor is a public sector entity or a large corporate house with complicated vendor management systems where adding a vendor for remittance of payments may be a cumbersome affair. Silent factoring services and advances against future receivables are offered to clients that are listed entities and/or provide collateral and/or enjoy superior credit rating.

Reverse or purchase bill factoring facilities are extended to established corporate entities, and in most cases, preferably backed by collateral in the form of pledge of equity shares of a listed company and/or any other acceptable liquid security and/or registered mortgage of property (for which we generally require a title verification report along with a valuation report mentioning the distress value of the asset provided as collateral) or registered charge on the current or fixed assets of the client or its promoter(s), director(s) or group concern(s). Further, in cases where such collateral is obtained, a no-objection certificate is obtained from lenders or creditors who may have subsisting prior charge.

Corporate loans are extended against pledge of equity shares of a listed promoter or group entity, due-dated cheques for payment of interest and repayment of principal and personal guarantees obtained from the client's promoter(s) and/or director(s). Further, we ensure that the amount pledged as collateral by way of shares covers

two to three times the entire loan amount. The terms stipulate that in case of failure of the borrower to provide cash margin in case of a fall in the market price of pledged shares by 25% or more, we reserve the right to sell the pledged shares without notice to the borrower or any legal intervention. Pledges are created exclusively in our Company's favour in dematerialised form and, in specific cases, such pledges are related on *pari passu* basis across different facilities sanctioned by our Company or with other lenders to add security to the otherwise unsecured factoring facilities.

To serve the objectives of our credit policy, we evaluate the collateral charged to us at periodic intervals on a conservative basis, and take steps to maintain stipulated margins at all times.

#### *Disbursement against invoices submitted*

Following the legal documentation related to the facility sanction and the creation of security, if applicable, the following documents are considered and verified for disbursement against invoices submitted: (i) certified true copies of the invoice assigned to us with duly affixed assignment stickers with proof of submission, (ii) certified true copies of purchase orders, and (iii) certified true copies of proof of dispatch documents including railway or lorry receipts (preferably transporters approved by Indian Bankers Association). Further, under our current credit policy, certain additional processing requirements are prescribed in cases where we fund existing book debts where the invoices were raised prior to the date of our factoring agreement (*i.e.*, in relation to 'takeover accounts' where our Company has not been involved and has not had the opportunity to undertake any due diligence procedures at the outset). For instance, the maximum age of the takeover invoices and the list of such invoices should be included in the facility approval terms and the notice of assignment duly accepted by the debtor. Alternatively, the debtor must confirm the outstanding debt as on a recent date, and that such payment would be effected to us (except in case of escrow account arrangements), and the takeover account is required to be approved by the Credit Committee. We generally don't consider "takeover accounts" in case of export factoring, however, if the correspondent provides written approval (by way of an agreement or otherwise) for covering specified invoices, takeover may be considered.

#### *Post disbursement operations & monitoring of accounts*

Post disbursement against invoices submitted for factoring, the operations department undertakes the day-to-day management of invoices and client accounts, entry of invoices and relevant information into the system, funding against invoices, maintenance of debt books, reporting of facilities, outstanding amounts, delays and irregularities and monitoring the health of the post-sanction asset portfolio.

In addition, a detailed portfolio review statement is placed for review before our Credit Committee at end of every month, and based on the time elapsed since default, overdue client accounts are segregated into buckets of 0-30 days, 30-60 days, 60-90 days, 90-120 days, 120-180 days & greater than 180 days. Thereafter, the respective relationship managers follow up with such overdue accounts and report their progress to the Credit Committee to determine the further course of action on a case to case basis. Finally, a detailed quarterly report of overdue accounts is placed for review before our Board. All our client and debtor accounts are reviewed at least once a year.

### **Sources of Funds**

Our primary sources of funds include equity capital, internal resources and domestic borrowings from our Promoter and other lenders, including term loans, working capital loans and cash credit against hypothecation of receivables. Our borrowings from commercial banks and other financial institutions are typically backed by a letter of comfort authorised by the board of directors of our Promoter.

The business of factoring involves short term lending and fast churn of assets in accordance with the working capital requirements of our clients. Therefore, within our short term borrowings, we seek to maintain approximately 10% of our credit limits in the form of cash credit in order to manage our surplus funds in the most optimal manner.

A summary of our borrowing arrangements as of May 31, 2011 is set forth below:

(₹ in million)				
Lending Financial Institution/Bank	Sanctioned Limit	% of Total Limit	Outstanding as on May 31, 2011*	% of Total Outstanding

Lending Financial Institution/Bank	Sanctioned Limit	% of Total Limit	Outstanding as on May 31, 2011*	% of Total Outstanding
Short Term Loan (tenor up to 1 year)	4,000.00	38.99%	3,902.25	53.80%
Short Term Loan (tenor 1-3 year)	3,500.00	34.11%	2,386.25	32.90%
Subordinated debt	500.00	4.87%	500.00	6.89%
Cash Credit	760.00	7.41%	215.18	2.97%
Stand By Credit Facility	1,500.00	14.62%	250.00	3.44%
	<b>10,260.00</b>	<b>100.00%</b>	<b>7,253.68</b>	<b>100.00%</b>

\*Includes interest payable

A summary of our current sources of borrowings as of May 31, 2011 is set forth below:

(₹ in million)				
Lender	Sanctioned Limit	%	Outstanding until May 31, 2011*	%
Promoter (including subordinated debt)	4,750.00	46.30%	2,500.00	34.47%
Commercial Banks	5,510.00	53.70%	4,573.68	65.53%
	<b>10,260.00</b>	<b>100.00%</b>	<b>7,253.68</b>	<b>100.00%</b>

\*Includes interest payable

We currently enjoy credit ratings of CARE A (SO) (A (Structured Obligation)) in respect of our long term Rupee borrowings and CARE A1+ (SO) (A One Plus (Structured Obligation)) in respect of our short term Rupee borrowings (indicating lowest credit risk), from CARE. These ratings are based on various factors, including a letter of comfort from our Promoter, in respect of our existing borrowings. Our average borrowing rate in fiscal 2011, 2010 and 2009 was 10.24%, 10.17% and 11.00%, respectively.

For more information, see “**Financial Indebtedness**” on page 148.

## Our Clients

A majority of our clientele is in the manufacturing sector. By nature of their business, our clients may be broadly classified into four categories: viz., manufacturer suppliers (typically for manufacturers with term contracts from original equipment manufacturers), erection, procurement and commissioning contractors (i.e., for turnkey projects, typically of a long term nature), service providers (i.e., where no physical goods are exchanged, including transportation services, maintenance services, logistics services and others) and traders (including distributors as well as retailers).

## Prudential Exposure Limits and Actual Exposures

Our current credit policy prescribes a portfolio that approximately adheres to the following concentration standards:

**By Product:** Our credit policy was recently amended on June 28, 2011, whereby the exposure in respect of any one product should not exceed 30% (applicable to products other than conventional sales bill factoring based on assignment of receivables). Further, under our current credit policy, we are required to maintain the overall ratio between factoring products and other business products at 80:20, with a view to continue our focus on our factoring business. As on March 31, 2011, our domestic sales bill factoring business accounted for 54.59% of our FIU, with corporate loans, domestic purchase bill factoring, advance against future receivables and export factoring accounting for 30.50%, 12.45%, 2.32% and 0.13%, respectively.

**By Industry:** Not more than 20% exposure of our Company in respect of one industry. Out of the total FIU as on March 31, 2011, 11.25% of our FIU was in the auto ancillary industry, followed by 8.89% in the metal/steel industry, 8.17% in real estate, 8.16% in pharmaceuticals, 6.67% in infrastructure, 5.30% in information technology-software, 4.88% in textiles and garments, and the remainder in chemicals, energy and power, electrical/electrical ancillary, engineering and other sectors.

**By Client (Individual/Group):** Not more than 15% of our Owned Funds in the case of an individual client and not more than 25.00% of our Owned Funds in case of a group of companies.



Separately, as on March 31, 2011, our New Delhi, Mumbai, Chennai, Ahmedabad, Kolkata, Hyderabad and Bangalore operations accounted for 52.44%, 25.76%, 10.39%, 4.28%, 3.80%, 2.31% and 1.02% of our FIU, respectively.

## Competition

Firms engaged in the business of financial services generally operate in a highly competitive environment, in terms of our market penetration, service and brand visibility, access to funds, human capital and other resources. We continue to face competition from traditional financiers of working capital, including commercial banks and NBFCs that offer facilities such as bill discounting and cash credit lines. Additionally, our competitors in the factoring business may be broadly classified into three categories: (a) commercial banks undertaking factoring services as part of their departmental activities, (b) NBFCs undertaking factoring services as part of their departmental activities, and (c) specialised NBFCs (which may include subsidiaries of banking companies and NBFCs) that are dedicated to providing factoring and allied services.

Our competitors in India presently include SBI Factors, CanBank Factors, India Factoring and Finance Solutions Limited, Export Credit Guarantee Corporation of India Limited, Hong Kong and Shanghai Banking Corporation, Standard Chartered Bank and Bibby Financial Services (India) Private Limited.

Some of our competitors may have access to cheaper funds, more resources and a broader client base than us by reason of their association with large banks or financial institutions and/or having a longer operating history than ours. Further, our competitors include public sector banks and financial institutions as well as private sector players. Typically, our competitors in the public sector would enjoy the benefit of their strategic relationship with, and control and ownership by, a Central or State Government. For instance, in commercial banking, the large public sector banks have traditionally had the largest market penetration, by reason of their large branch networks, scale of operations and access to low cost funds, and in the NBFC sector, public sector NBFCs also have the benefit of their large distribution networks and scale of operations.

For more information, see “*Risk Factors*” and “*Industry Overview*” on pages xii and 45, respectively.

## Regulation

Our Company is registered with the RBI as a systemically important non deposit-taking NBFC. We believe that our NBFC-ND-SI classification enables us to be operationally more flexible than some of our competitors and effectively capitalize on available financing opportunities. As an NBFC, we are governed by regulations and policies that are generally less stringent than those applicable to commercial banks, including with respect to liquidity requirements and the requirement to hold a significant portion of funds in relatively low yield assets, such as government and other approved securities and cash reserves. Further, the ceiling on bank credit linked to net owned fund of NBFCs has been withdrawn in respect of NBFCs which are registered with the RBI and are engaged in principal business including factoring activities. Accordingly, under the current RBI Master Circular on Bank Finance to NBFCs, banks may extend need-based working capital facilities as well as term loans to NBFCs registered with the RBI, including those that are engaged in factoring activities.

The Factoring Bill was recently introduced in the lower house of the Indian Parliament by the MoF, and we understand that it has been referred to the Parliamentary Standing Committee of Finance for the purpose of further review. While this proposed legislation is yet to be passed by the Indian Parliament and would then require to be notified in the Indian Gazette in order to come into effect, the impact of the proposed Factoring Bill on the business and competitive environment in India is presently unclear, and we cannot provide any assurance as to when such legislation would be enacted, the final content or form in which such legislation may be enacted, or the manner in which its provisions may be interpreted or implemented.

For more information on the current regulatory framework applicable to an NBFC as well as the proposed Factoring Bill, see “*Regulations and Policies in India*” and “*Risk Factors*” on pages 71 and xii, respectively.

## Risk Management

As a financial institution, we are exposed to various risks that we seek to address through our credit policy, described in further detail below:



### ***Credit Risk***

We use a wide range of quantitative as well as qualitative parameters as a part of the appraisal process to make an assessment of the extent of underlying credit risk in a transaction, including through field survey audits undertaken as a part of our due diligence. Under our credit policy, we generally do not sanction any facility to clients appearing in CIBIL's lists of 'defaulters' or 'wilful defaulters' as per RBI guidelines, or whose boards of directors include promoter directors or whole-time directors (other than professional directors and nominee directors of financial institutions or Central or State Governments) of companies appearing in CIBIL's list of 'wilful defaulters'.

### ***Security Risk***

We seek to put in place a number of different quasi-security and security arrangements in relation to the loans that we extend. Facilities extended by us are generally not secured by mortgage of assets, but are backed by post dated cheques for the amount of the sanctioned facility from the client (and in some cases, also from the debtor) and/or by personal guarantees of the promoters and/or directors of the client. Our purchase bill factoring services are extended on the basis of tangible collateral. In the case of short term corporate loans offered by us, the primary security is the pledge of equity shares of a listed promoter or group entity, provided that in the case of failure of the borrower to provide cash margin in the case of fall in the market price of pledged shares by 25% or more, we reserve the right to sell the pledged shares without notice to the borrower or any legal intervention.

### ***Liquidity Risk***

Liquidity risk is monitored through liquidity gap analysis. Our asset liability management framework includes periodic analysis of the liquidity profile of asset receipts and debt service obligations. We manage our liquidity risk through forward-looking resource mobilization based on projected disbursements and maturing obligations.

### ***Interest Rate Risk***

Interest rate risk is managed by analysis of interest rate sensitivity gap statements, evaluation of earning at risk on change of interest and creation of assets and liabilities with a mix of fixed and floating interest rates. We also implement interest rate risk management through the contractual terms of our factoring as well as corporate loan facilities, including pricing terms and maturities. All our factoring and other allied products' sanction documentation typically includes an interest reset clause and permits the withdrawal of any rolling facility at our discretion.

### ***Concentration Risk***

We seek to manage our concentration risk through implementation of our credit policy, framed in accordance with the NBFC Prudential Norms. Among other things, our credit policy prescribes product, sector, individual and group and geographic exposures. For more information, see “- ***Prudential Exposure Limits and Actual Exposures***”.

### ***Foreign Exchange Rate Fluctuation Risk***

We do not presently have substantial foreign currency borrowings that would expose us to foreign currency exchange rate risk. We do not presently engage in any hedging transactions.

### ***Operational Risk***

We have established systems and procedures to reduce operational risk, including through our credit policy. Additionally, to avoid the risk of double financing, working capital bankers are required to be informed with regard to the facility approved by our Company, the debtors are required to be approved, and disbursements are made in the client's working capital banker's account. Further, once the legal documentation is complete and conditions precedent are fulfilled, only our Managing Director is permitted to authorize the first disbursement under any facility sanctioned by our Company. Compliance with our guidelines is monitored through internal controls and internal and external audits, monitored by our Credit Committee and overseen by our Audit Committee and our Board.

For more information, see “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages xii and 130, respectively.

## **Employees**

We have a qualified and committed management and employee base. As of June 30, 2011, we had 49 employees, including 11 regional marketing representatives and three employees presently on deputation from our Promoter.

We believe we have an efficient and lean organisational structure. Our employees are not unionized, and we believe that our relations with our employees have been generally good.

For more information on our ESOP Scheme and PLI Scheme and employee management programmes, see “*Capital Structure*” and “*Our Management*”, on pages 18 and 79, respectively.

## **Employee Training & Development**

Our personnel policies are aimed at recruiting and retaining talented and experienced employees, including lateral appointments and induction of graduates from premier business schools, and facilitating their integration into our Company. We operate in a competitive and knowledge-intensive environment and are therefore committed to continuously upgrade their professional skills and knowledge. We strive to motivate our employees by rewarding excellence through the PLI Scheme. Training needs are systematically assessed and professional skills are imparted at all levels of employment through necessary classroom and on the job training initiatives.

We believe that we have been successful in creating a committed team of employees who have in-depth exposure to their respective fields, including critical areas such as marketing, credit and operations, accounts and finance, legal and secretarial and information technology and systems.

## **Information Technology**

To ensure seamless flow of information and connectivity across our offices and locations, we provide necessary systems, infrastructure along with organization-wide communications applications supported by the necessary hardware systems. We impart training to our employees across our locations, to enable them to efficiently use our information technology systems and infrastructure. We are in the process of integrating our customised organization-wide business software system with our CRM and opportunity management systems, to track our accounts with reasonable accuracy and reduce our turn-around time, and to establish contingency and backup mechanisms to avoid loss of data and ensure continuity. We also subscribe to a specialised desktop-based analytical application that provides us with access to a wide corporate database, which we use for generation of new business and for credit appraisal. Further, we have developed our website, and put in place an internet search engine optimization system as an internet marketing strategy to make our website more ‘search-friendly’ and visible. We seek to continue to maintain and upgrade our website to increase our visibility; we believe it would provide us with an additional platform to launch and position our product offerings and other information in relation to our Company in a manner accessible and convenient to potential clients and shareholders. In addition, we have implemented a centralized data security system to prevent, detect, monitor and eliminate unauthorized access to our network resources and computer hardware.

Our information technology systems and infrastructure development and maintenance are handled by a specialised department overseen by one of our key personnel, Amit Kaul, Vice President – Information Technology and International.

For more information, see “*Risk Factors*” on page xii.

## **Intellectual Property**

We have been accorded a no-objection by our Promoter for the use of the ‘IFCI’ name and our own brand name and logo are not presently registered trademarks in India. Though we have applied for registration of our trademark in India, we do not enjoy the statutory protection accorded to registered trademarks in India.

For more information, see “*Risk Factors*” on page xii.

### **Insurance**

As we operate from leased premises and currently have a lean organisational structure, we do not presently have any insurance coverage in our Company’s name with respect to our office premises or employees.

For more information, see “*Risk Factors*” on page xii.

### **Property**

Our Office is located at 9th Floor, IFCI Tower, 61 Nehru Place, New Delhi 110 019, India, at furnished premises leased from our Promoter, currently under an 11 month indenture with effect from January 16, 2011 and expiring on December 16, 2011.

Further, our Company presently has representatives in six other locations, situated in Mumbai, Chennai, Ahmedabad, Kolkata, Hyderabad and Bangalore, functioning out of premises provided for our use by our Promoter, as part of the general infrastructural support offered by it to us.

For more information, see “*Risk Factors*” on page xii.

## REGULATIONS AND POLICIES IN INDIA

The following is an overview of the important laws, regulations and policies in India that are relevant to our business. The descriptions of laws, regulations and policies set out below are not exhaustive, and are only intended to provide general information, and are neither designed nor intended to be a substitute for professional legal advice. The statements below remain subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. For information on government approvals obtained by us, see “**Government and Other Approvals**” on page 171.

### I. REGULATIONS PERTAINING TO NBFCs

The RBI regulates and supervises activities of NBFCs by the power vested in it under Chapter IIIB of the Reserve Bank of India Act, 1934 (“**RBI Act**”). The RBI Act defines an NBFC under Section 45-I (f) as:

- “(i) a financial institution which is a company;
- (ii) a non-banking institution which is a company and which has, as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or
- (iii) such other non-banking institution or class of such institutions, as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.”

Section 45-I(c) of the RBI Act defines a “financial institution” as a non-banking institution carrying on as its business or as part of its business, among other activities, the financing, whether by making loans or advances or otherwise, of any activity, other than its own. Also, Section 45-I(e) of the RBI Act defines a non-banking institution as a company, corporation or cooperative society.

With effect from January 9, 1997, NBFCs are not permitted to commence or carry on the business of a non-banking financial institution without obtaining a Certificate of Registration (“**CoR**”) from the RBI. The RBI, pursuant to a press release dated April 8, 1999, clarified that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern evidenced from the last audited balance sheet of the company to decide its principal business. A company is categorised as an NBFC if its financial assets are over 50% of its total assets (netted off by intangible assets), and income from its financial assets is over 50% of the gross income. Both these tests are required to be satisfied to classify the principal business of a company as that of an NBFC. Additionally, all NBFCs are required to submit to the RBI a certificate from their statutory auditors every year to the effect that they continue to engage in the business of a non-banking financial institution thereby requiring them to hold a CoR. In case an NBFC does not accept or hold deposits from the public, it is required to obtain a CoR without authorization to accept public deposits.

The RBI, by notification dated January 31, 1998, notified the NBFC Prudential Norms (Reserve Bank), Directions, 1998 (“**1998 Prudential Norms**”). Further, the RBI, by notification dated January 13, 2000 exempted government companies, conforming to Section 617 of the Companies Act, from the applicability of certain provisions of the RBI Act relating to maintenance of liquid assets, creation of reserve funds and directions relating to acceptance of public deposits and the NBFC Prudential Norms. Pursuant to circular dated December 12, 2006, the RBI classified all non-deposit taking NBFCs with an asset size of ₹ 1,000 million or more as a NBFC-ND-SI and proposed to bring all deposit taking and systemically important government owned NBFCs under the provisions of the NBFC Prudential Norms. Further, the RBI, by notification dated February 22, 2007, notified the NBFC Prudential Norms, which contain detailed directions on prudential norms for a non deposit-taking NBFC, including the maximum exposure ceilings, as set out below:

Concentration of credit/investment	% of an NBFC’s owned fund
<b>Lending ceilings</b>	
Lending to any single borrower	15.00%
Lending to any single group of borrowers	25.00%
<b>Investing ceilings</b>	
Investing in shares of a company	15.00%
Investing in shares of a single group of companies	25.00%
<b>Loans and investment taken together</b>	
Lending and investing to single party	25.00%
Lending and investing to single group of parties	40.00%

The ceiling on bank credit linked to net owned fund of NBFCs has been withdrawn in respect of NBFCs which are registered with the RBI and are engaged in principal business including factoring activities. Accordingly, under the current RBI Master Circular on Bank Finance to NBFCs (presently, with effect from July 1, 2011), banks may extend need-based working capital facilities as well as term loans to NBFCs registered with the RBI, including those that are engaged in factoring activities. Factoring companies, which carry out all the components of a standard factoring activity, viz., financing of receivables, sale-ledger management and collection of receivables, and derive at least 80% of their income from factoring activity as well as the receivables purchased/financed forming at least 80% of the assets of such company enjoy certain relaxations in terms of the requirements laid down by the RBI Master Circular on Bank Finance to NBFCs for availment of bank finance. However, if the company does not comply with the abovementioned prerequisites, it would not be eligible to avail of such relaxations for availment of financial assistance from banks in respect of activities including bill discounting, providing unsecured loans and inter-corporate deposits to any company and providing all types of loans and advances to their subsidiaries and group entities.

### ***Foreign Exchange Operations***

In the course of export bill factoring and import bill factoring, our Company is required to deal in foreign exchange. Among other provisions, the FEMA requires any person or company dealing in foreign exchange to be authorised by the RBI to do so. A person or company so authorised (“**Authorised Dealer**”) must, in all dealings in foreign exchange comply with the general or special directions or orders of the RBI, and, except with the previous permission of the RBI, may not engage in any transaction involving any foreign exchange, which is not in conformity with the terms of the authorization. Authorised Dealers may be classified under three categories, as stipulated under RBI Circular A.P. (DIR Series) Circular No. 25, dated March 6, 2006, based on whether they undertake all forms of capital and current account transactions (Category I), or activities permitted by the RBI to be undertaken by full-fledged money changers, along with specified remittances (Category II) or solely undertake transactions incidental to other foreign exchange activities undertaken by them (Category III). As a Category III Authorised Dealer, our Company is subject to regulatory and reporting requirements specified by the RBI, including the fortnightly filing of ‘R-returns’.

### ***Factoring Bill***

The Factoring Bill was recently introduced in the lower house of the Indian Parliament by the MoF, and we understand that it has subsequently been referred to the Parliamentary Standing Committee of Finance for the purpose of further review.

The Factoring Bill requires every factor to obtain a certificate of registration from the RBI prior to commencement and carrying on of factoring business. In the event the factor is registered as an existing NBFC, the RBI may issue a fresh certificate of registration as a factor, if the NBFC is principally engaged in factoring business and complies with the requirements as may be specified by the RBI, as and when the Factoring Bill is enacted.

The Factoring Bill further proposes, among other things, compulsory registration by the factor of every transaction of assignment of receivables with the Central Registry set up under the SARFAESI, consequent to which the factor would become eligible to certain benefits under the SARFAESI (described below). Among other things, while the Factoring Bill contemplates reform in relation to various aspects of the factoring business, including with respect to compulsory registration of assignment of receivables in any factoring transaction, the draft of the Factoring Bill that was introduced in the lower house of the Indian Parliament by the MoF did not contemplate an exemption of stamp duty in respect of factoring transactions.

This proposed legislation is yet to be passed by the Indian Parliament and would then require to be notified in the Indian Gazette in order to come into effect.

## **II. FOREIGN INVESTMENT IN NBFCs**

Foreign investment in India is governed primarily by the provisions of the Foreign Exchange Management Act, 2000 and the rules, regulations and notifications thereunder (“**FEMA**”), read with the circular (D/o IPP F. No. 5(14)/2010-FC) dated March 31, 2011 (effective from April 1, 2011) (“**Consolidated FDI Policy**”) issued by the Department of Industrial Policy and Promotion, (“**DIPP**”).

The RBI, in exercise of its powers under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (“**FEMA Regulations**”) to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India.

For further information on restrictions on foreign ownership of Indian securities, see “*Restriction on Foreign Ownership of Indian Securities*” on page 222.

### III. ECBs BY NBFCs

The policy of the RBI relating to ECB is consolidated in the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, and as read with the RBI’s Master Circular on ECBs and Trade Credits issued from time to time (presently, as issued by the RBI on July 1, 2011), (the “**ECB Guidelines**”).

Subject to certain basic eligibility criteria, ECB can be accessed under two routes, viz. the (i) automatic route, and (ii) approval route. Under the automatic route, NBFCs which are infrastructure finance companies are recognised as eligible borrowers. Recognised lenders include internationally recognised sources such as international banks, international capital markets, multilateral financial institutions or regional financial institutions and Government-owned development financial institutions, export credit agencies, suppliers of equipments, foreign collaborators, and foreign equity holders (other than erstwhile ‘Overseas Corporate Bodies’). ECB is subject to certain end-use stipulations, including that it may not be used for working capital, general corporate purposes and repayment of Rupee loans.

The borrower must obtain a loan registration number from the RBI before drawing down the ECB, and there are certain related reporting requirements. The all-in-cost ceilings for ECB are reviewed from time to time. All-in-cost includes rate of interest, other fees and expenses in foreign currency except commitment fee, pre-payment fee, and fees payable in Indian Rupees. Payment of withholding tax in Indian Rupees is excluded for calculating the all-in-cost ceilings. Creation of charge over immoveable assets and financial securities, such as shares, in favour of the overseas lender is subject to compliance with certain notifications under FEMA. AD Category - I banks may convey their ‘no objection’ under FEMA for creation of charge on immovable assets, financial securities and issues of corporate or personal guarantees in favour of overseas lenders or security trustees. Issuance of guarantee, standby letter of credit, letter of undertaking or letter of comfort by banks, financial institutions and NBFCs from India, relating to ECB, is not permitted.

### IV. LEGISLATIVE FRAMEWORK FOR RECOVERY OF DEBTS, APPLICABLE TO BANKS AND SPECIFIED FINANCIAL INSTITUTIONS

SARFAESI grants certain special rights to banks and certain financial institutions including PFIs and certain other notified financial institutions, to enforce their security interests. For instance, the SARFAESI provides that a secured creditor may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. All mortgages and charges on immovable properties in favour of banks and specified financial institutions are enforceable without intervention of the courts. The SARFAESI also provides for establishment of asset reconstruction companies regulated by RBI to acquire assets from banks and specified financial institutions under specified conditions.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (“**Debts Recovery Act**”) provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or PFI or other notified financial institution, or to a consortium of such eligible banks and financial institutions. Under the Debts Recovery Act, the procedures for recoveries of debt have been simplified and time frames been fixed for speedy disposal of cases.

Our Company is not currently notified as a financial institution eligible to take the benefits available to banking companies and specified financial institutions under the SARFAESI and the Debts Recovery Act. The Factoring Bill proposes, among other things, compulsory registration by the factor of every transaction of assignment of receivables with the Central Registry set up under the SARFAESI, consequent to which the factor would become eligible to certain benefits under the SARFAESI.



## V. LAWS RELATING TO MICRO, SMALL AND MEDIUM ENTERPRISES

The Micro, Small and Medium Enterprises Development Act, 2006 (the “**MSMED Act**”) was enacted to facilitate the promotion and development, and enhance the competitiveness of MSMEs. The MSMED Act provides for the constitution of a National Board for MSMEs to examine the factors affecting the promotion and development of MSMEs, reviewing the policies and programmes of the GoI in respect thereof and recommending measures to the GoI in respect thereto. The MSMED Act also provides for the constitution of a fund by notification, to be utilised for the promotion and development of MSMEs, as advised by the National Board for MSMEs. Further, as per RBI Circular RPCD.SME&NFS.BC.No.79/06.02.31/2009-10, dated May 6, 2010, banks are mandated not to accept collateral in the case of loans upto ₹ 1 million extended to units in the MSE sector.

## VI. LAWS RELATING TO CREDIT INFORMATION COMPANIES

The Credit Information Companies (Regulation) Act, 2005 (the “**CIC Act**”) was enacted for the purposes of regulation of credit information companies, and provides for mandatory registration of a credit information company prior to commencement of business. The CIC Act further stipulates requirements in relation to the minimum capital, management and the accuracy and security of the information to be observed by any credit information company. The ambit of the CIC Act extends to any company engaged in the business of, among other activities, collecting, processing and collating information on trade, credit and financial standing of borrowers, and providing such credit information along with credit scoring.

## VII. LAWS RELATING TO RECOGNITION OF TRANSACTIONS

The Registration Act, 1908 (the “**Registration Act**”) was enacted to accord legal recognition to documents through registration with officers appointed under the Registration Act. The Registration Act provides for mandatory registration of specified documents, including non-testamentary instruments which purport or operate to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, of the value of ₹ 100, and upwards, to or in immovable property, non-testamentary instruments which acknowledge the receipt or payment of any consideration on account of the creation, declaration, assignment, limitation or extinction of any such right, title or interest and non-testamentary instruments transferring or assigning any decree or order of a court or any award when such decree or order or award purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, of the value of ₹ 100 and upwards, to or in immovable property.

The Information Technology Act, 2000 (the “**I&T Act**”) was enacted to provide legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as “electronic commerce”, which involve the use of alternatives to paper-based methods of communication and storage of information. The GoI has further notified rules pursuant to the I&T Act on April 13, 2011, including in relation to electronic service delivery and creation of a repository of electrically signed electronic records by government authorities, treatment of information as ‘sensitive personal data or information’ and conditions for disclosure thereof to a third party and guidelines pertaining to due diligence undertaken by any person acting as an intermediary under the I&T Act.

## VIII. LAWS RELATING TO EMPLOYMENT

Our Company is required to comply with various labour laws, including those discussed below:

The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952, institutes provident funds for the benefit of employees in factories, industrial undertakings, and other establishments notified by the GoI from time to time. Contributions are required to be made by employers and employees to a provident fund and pension fund established and maintained by the GoI.

Under the Payment of Gratuity Act, 1972, an employee who has been in continuous service for five years is eligible for gratuity on retirement, resignation, death or disablement due to accident or disease. Entitlement to gratuity in the event of superannuation or death or disablement due to accident or disease is not contingent on an employee having completed five years of continuous service.



The Payment of Bonus Act, 1965, provides for payment of a minimum annual bonus to all employees regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable.

#### **IX. LAWS RELATING TO INTELLECTUAL PROPERTY**

In India, trademarks enjoy protection both statutory and under common law. The Trademarks Act, 1999 (“**Trademarks Act**”) governs the statutory protection of trademarks in India, including the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of 10 years, and can be renewed in accordance with the specified procedure.

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on December 14, 1995 in New Delhi under the Companies Act as a public limited company under the name 'Foremost Factors Limited' with the RoC. Our Company received its certificate for commencement of business on January 5, 1996. Pursuant to a resolution passed by our shareholders in their meeting dated December 16, 2008, the name of our Company was changed to 'IFCI Factors Limited', on account of IFCI acquiring control of our Company, and a fresh certificate of incorporation was issued on January 7, 2009.

Our Company was originally promoted by Ashwani Kumar Puri, Deepak Mohan Puri, Neeru Puri, Vinod Chopra, Neena Dhawan, Vinod Kumar Dhawan and Joginder Pal Kundra, acting on behalf of Mohan Exports. Pursuant to a shareholders' agreement dated May 16, 1996 (the "**SHA**") by Mohan Exports and NationsBank Overseas Corporation, U.S.A. ("**NBOC**") and Nationsbanc Commercial Corporation, U.S.A. ("**NCC**"), Mohan Exports and NBOC had agreed to subscribe to, and become the principal shareholders of our Company. Pursuant to the SHA, each of Mohan Exports and NBOC were required to maintain a minimum shareholding of 26% in our Company (including through their respective affiliates). While 20<sup>th</sup> Century Finance Corporation was not a party to the SHA, it acquired an initial 10% shareholding in our Company as an institutional investor. It was further agreed that, unless otherwise agreed by Mohan Exports and NBOC, institutional investors would not own over 25% of the outstanding Equity Shares of our Company.

IFCI entered into a supplementary shareholders agreement dated April 16, 1999 (the "**First Supplementary SHA**") with Mohan Exports and NBOC, pursuant to which it was agreed that while NBOC's shareholding in our Company would continue to be maintained above 26%, in the event Mohan Exports' shareholding in our Company reduced below 25% of our Company's total equity, pursuant to a purchase of Equity Shares of our Company by IFCI from Mohan Exports before June 30, 2000, that Mohan Exports would sell such shareholding in our Company to IFCI at book value. Pursuant to the purchase of 2,718,750 Equity Shares in our Company by IFCI from the successor to NBOC, namely, BOAOC and the purchase of 2,531,250 Equity Shares in our Company by Mohan Exports from BOAOC and the consequent change in principal shareholders of our Company, IFCI entered into a second supplementary shareholders agreement dated September 16, 2003 (the "**Second Supplementary SHA**") with Mohan Exports, to record the release of BOAOC from its obligations under the SHA and the modifications to the SHA, as amended by the First Supplementary SHA, between the remaining principal shareholders, namely, Mohan Exports and IFCI. Pursuant to transfer of 9,330,050 Equity Shares from Mohan Exports to our Promoter, our Company became a subsidiary of our Promoter. Our Promoter thereafter enhanced its shareholding to 79,154,700 Equity Shares, which constitutes 99.74% of our pre-Issue paid-up Equity Share capital through acquisition of Equity Shares and subscription to the rights issue of our Company. For more information on our Company's share capital history, see "**Capital Structure**" on page 18.

For more information on our activities, services, products, market of each segment, our growth, exports and profits due to foreign operations together with country-wise analysis, technology, market, managerial competence and capacity built-up, our standing with reference to our prominent competitors, management, major suppliers and customers, see "**Our Management**", "**Our Business**" and "**Industry Overview**" on pages 79, 56 and 45, respectively.

Our Company has 30 equity shareholders, including eight nominees of our Promoter, as on the date of filing of this Draft Red Herring Prospectus.

### Changes in Registered and Corporate Office:

Set forth below are details of the changes in the Office of our Company.

Date of change	Change in the address of our Registered and Corporate Office	Reason for Change
January 9, 2009	Change in Office from Pawan House, 2, Kailash Colony Extension, Zamrudpur Community Centre, New Delhi 110 048 to 5 <sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019	Pursuant to our Company becoming a subsidiary of our Promoter
November 12, 2009	Change in Office from 5 <sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019 to 13 <sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019	To enable greater operational efficiency
February 18, 2011	Change in Office from 13 <sup>th</sup> Floor, IFCI Tower, 61,	To enable greater operational efficiency

Nehru Place, New Delhi 110 019 to 9<sup>th</sup> Floor, IFCI  
Tower, 61, Nehru Place, New Delhi 110 019

## Major Events

Year	Event
1995	Incorporation of our Company as 'Foremost Factors Limited'.
1996	Introduction of domestic sales bill factoring facility as a product offering.
2008	Pursuant to transfer of 9,330,050 Equity Shares from Mohan Exports to our Promoter, our Company became a subsidiary of our Promoter. Shareholding of our Promoter in our Company increased to 99.74% of our issued, subscribed and paid-up Equity Share capital.
2009	Name of our Company changed to 'IFCI Factors Limited' and Office shifted to 5 <sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019.
	Introduction of advance against future receivables as a product offering.
2010	Introduction of allied short term corporate loans as a product offering.

## Our Main Objects

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

Clause	Particulars
A.1.	To carry on the business of factoring, both domestic and international, by purchasing (whether with or without recourse), selling, discounting, rediscounting or assignment of debts, receivables, decrees, actionable and other claims of any nature whatsoever, or by providing credit protection in the event of default or insolvency, bankruptcy or dissolution of customers or other buyers of goods and services or by factoring services including full factoring, maturity factoring, invoice discounting, both disclosed and undisclosed, collection and recovery of debts, receivables, bills, notes, cheques, pay orders, commercial papers and other money market and negotiable instruments, sales ledger maintenance and lending moneys market and negotiable instruments, sales ledger maintenance and lending moneys or providing advance payment facility against purchase of debts and receivables.
A.2.	To draw, accept, endorse, discount, buy, sell and deal in bills of exchanges, promissory notes, bonds, debentures, hundies, coupons and other negotiable instruments and securities and to carry on in all their respective branches, the business of factors, leasing, hire-purchase, housing, general finance.
A.3.	To carry on the business of merchant bankers, lead managers, advisors to the issues and registrar to the issues (subject to approval of SEBI) Investment analysts, portfolio managers, credit rating & financial analysis and collection & dissemination of information regarding creditworthiness of various persons & organisations.

## Changes in Memorandum of Association

Since our incorporation, the following changes have been made to the Memorandum of Association:

Date of Amendment/Shareholders Resolution	Amendment
October 3, 2008	Clause V of the Memorandum of Association was replaced by the following:  <i>"The Authorised Capital of the Company is Rs. 100,00,00,000/- (Rupees one hundred crore only) divided into 10,00,00,000 (Ten crore) Equity Shares of Rs. 10/- each."</i>
December 16, 2008	Clause I of the Memorandum of Association was replaced by the following:  <i>"The name of the Company is IFCI Factors Limited"</i>
January 18, 2011	Clause V of the Memorandum of Association was replaced by the following:  <i>"The Authorised Capital of the Company is Rs. 150,00,00,000/- (Rupees one fifty crore only) divided into 15,00,00,000 (Fifteen crore) Equity Shares of Rs. 10/- each."</i>

## Injunction or Restraining Order

Our Company is not operating under any injunction or restraining order as on the date of this Draft Red Herring Prospectus.

**Holding Company**

IFCI, our Promoter, is the holding company of our Company as on the date of this Draft Red Herring Prospectus. For more information, see “*Our Promoter and Group Entities*” on page 90.

**Subsidiaries and Joint Ventures**

As on the date of this Draft Red Herring Prospectus, our Company does not have any subsidiaries or joint ventures.

**Collaboration Agreements**

As on the date of this Draft Red Herring Prospectus, our Company is not a party to any collaboration agreements.

**Shareholders Agreements**

As on the date of this Draft Red Herring Prospectus, our Company is not a party to any shareholders’ agreements.

**Other Material Agreements**

As on the date of this Draft Red Herring Prospectus, our Company is not a party to any material agreements which have not been entered into in the ordinary course of business.

**Strategic and Financial Partners**

As on the date of this Draft Red Herring Prospectus, our Company does not have any strategic or financial partners.

## OUR MANAGEMENT

Our Articles of Association require us to have not less than three and not more than 11 Directors. We presently have eight Directors which include our three non-executive Directors, our Managing Director and four independent Directors.

The following table sets out the details regarding our Board as on the date of the filing of this Draft Red Herring Prospectus:

Name, Designation, Occupation, Term and DIN	Age (years)	Address	Other Directorships
<b>Atul Kumar Rai</b>  <b>Designation:</b> Chairman  <b>Occupation:</b> Service  <b>Term:</b> Liable to retire by rotation  <b>DIN:</b> 00134638	50	4, Flag Staff Road, Civil Lines, New Delhi 110 054	<ul style="list-style-type: none"> <li>• IFCI</li> <li>• IIDL</li> <li>• IFIN</li> <li>• IFCI Venture Capital Funds Limited (“<b>IFCI Venture</b>”)</li> <li>• MCX Stock Exchange Limited</li> </ul>
<b>Rakesh Kapoor</b>  <b>Designation:</b> Managing Director  <b>Occupation:</b> Service  <b>Term:</b> Until attaining the age of 58 years, on July 23, 2013  <b>DIN:</b> 00015358	56	186, Madanlal Block, Asian Games Village Complex, New Delhi 110 049	<ul style="list-style-type: none"> <li>• Biotech Consortium India Limited (“<b>BCIL</b>”)</li> <li>• Tourism Finance Corporation of India Limited (“<b>TFCI</b>”)</li> </ul>
<b>Sujit Kumar Mandal</b>  <b>Designation:</b> Non-executive Director  <b>Occupation:</b> Service  <b>Term:</b> Liable to retire by rotation  <b>DIN:</b> 00086235	60	Flat No. 748, Makhan Singh Block, Asian Games Village Complex, New Delhi 110 049	<ul style="list-style-type: none"> <li>• IFCI</li> <li>• TFCI</li> <li>• IFIN</li> <li>• IFCI Venture</li> </ul>
<b>Tarun Kumar Ray</b>  <b>Designation:</b> Non-executive Director  <b>Occupation:</b> Service  <b>Term:</b> Liable to retire by rotation  <b>DIN:</b> 00050882	52	A 28, Ranjit Singh Block, Asian Games Village Complex, New Delhi 110 049	<ul style="list-style-type: none"> <li>• Haldia Petrochemicals Limited</li> <li>• IIDL</li> </ul>

Name, Designation, Occupation, Term and DIN	Age (years)	Address	Other Directorships
<b>Baleshwar Rai</b> <b>Designation:</b> Independent Director <b>Occupation:</b> Retired <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 02817198	65	B 42, Aditi Apartments, I.P. Extension, New Delhi 110 092	<ul style="list-style-type: none"> <li>Ishara Finance and Rural Development Private Limited</li> </ul>
<b>Raju Sharma</b> <b>Designation:</b> Independent Director <b>Occupation:</b> Service <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 03492179	52	A 16, Teachers Flats, St. Stephens College, New Delhi 110 007	TFCI
<b>Vinod Kumar Gupta</b> <b>Designation:</b> Independent Director <b>Occupation:</b> Service <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 03491240	64	S 238, Ground Floor, Uppal Southend, Sohna Road, Gurgaon 122 001	Nil
<b>Shrawan Nigam</b> <b>Designation:</b> Independent Director <b>Occupation:</b> Retired <b>Term:</b> Liable to retire by rotation <b>DIN:</b> 01942618	65	316, Jahaz Apartments, Inder Enclave, Paschim Vihar, New Delhi 110 087, India	<ul style="list-style-type: none"> <li>Mansukh Finvest Limited</li> </ul>

All our Directors are Indian nationals and none of our Directors are related to each other.

### Our Directors

**Atul Kumar Rai** is the Chairman of our Company. He is the chief executive officer and managing director of our Promoter, IFCI. He holds a bachelor's degree in economics from University of Delhi, and a master's degree in economics from Jawaharlal Nehru University. Prior to joining the Board of Directors our Company, he worked for over 20 years in various positions with the GoI including with the Planning Commission, Ministry of Industry and Delhi Development Authority and was involved with setting up India Infrastructure Finance Company Limited and the Stressed Asset Stabilization Fund.

**Rakesh Kapoor** is the Managing Director of our Company. He holds a bachelor's degree in chemistry from University of Delhi, a diploma in management from All India Management Association, and an Associateship

Diploma from National Sugar Institute, Kanpur. He has over 34 years experience in the corporate and financial sectors. He has been associated with our Promoter for over 20 years and has been involved in various projects across different sectors including steel, cement, chemical, textile, sugar and infrastructure projects. He has also represented our Promoter on various high level committees set up by the GoI including the Core Committee formulated for the purpose of the proposed Factoring Bill.

**Sujit Kumar Mandal** is a non-executive Director of our Company. He is also a whole-time director of our Promoter. He holds a bachelor's degree in mechanical engineering from National Institute of Technology, Durgapur and a master's degree in business management from Indian Institute of Management, Ahmedabad. He has more than 36 years of experience in the industrial and corporate finance sectors.

**Tarun Kumar Ray** is a non-executive Director of our Company. He holds a bachelor's degree in law from University of Kolkata and a master's degree in commerce from University of Kolkata. He is an associate chartered accountant and a Certified Associate of the Indian Institute of Bankers. He has more than 27 years of experience in the banking and finance sector. Previously, he has worked with the Registrar of Companies, West Bengal, West Bengal Industrial Development Corporation and Allahabad Bank. He joined IFCI in 1996 and played a very key role in restructuring its liabilities and monitoring NPAs for the purpose of recovery of dues of the institution.

**Baleshwar Rai** is an independent Director of our Company. He holds a master's degree in ancient history, culture and archeology from University of Allahabad and a diploma in development studies from the University of Cambridge. He was an officer with the Indian Administrative Services for 35 years and retired as Secretary to GoI, Cabinet Secretariat. He has been responsible for policy, planning and man-power management during his tenure as sales tax commissioner, New Delhi, chief executive officer of the Delhi Jal Board and the chairman New Delhi Municipal Council and chief secretary to the State Government of Goa.

**Dr. Raju Sharma** is an independent Director of our Company. He holds a master's degree in physics from Delhi University, a master of philosophy's degree in public administration from the Indian Institute of Public Administration and a doctorate in public administration from Lucknow University. He was an officer with the Indian Administrative Services and has held several positions, including as District Collector, Director, Policy in the Ministry of Small Scale Industries, Labour Commissioner and has worked with the Department of Medical and Health, Uttar Pradesh and U.P. State Textile Corporations during his tenure. He was also the Joint Secretary of the National Authority for Chemical Weapons Convention and during this period was India's principal negotiator at the International Body for Implementation of the International Treaty on Chemical Weapons.

**Prof. Vinod Kumar Gupta** is an independent Director of our Company. He holds a bachelor's degree in aeronautical engineering from University of Punjab, a master's degree in aeronautical engineering from Indian Institute of Science, Bangalore and master's degree in personnel management and industrial relations from Punjab University. He is a former scientist and has worked with the Defence Research & Development Organisation, Ministry of Defence, GoI and was involved in the design and development of systems and sub-systems for aircrafts. He has conducted management training to the armed forces and senior officers from Ministry of Defence, GoI. He was chief instructor of Defence Institute of Work Study, Mussoorie. He joined Management Development Institute ("MDI"), Gurgaon, as an associate professor and is currently its director.

**Shrawan Nigam** is an independent Director of our Company. He holds a master's degree in economics from the Delhi School of Economics, University of Delhi, a degree of master of philosophy in development economics from Glasgow University, United Kingdom, and a master's degree in public administration from the Harvard Kennedy School, Harvard University, U.S.A. He has over 37 years of experience as an officer with the Indian Economic Service, and has served in various senior economic advisory positions in the GoI, including senior advisor, Planning Commission, GoI and economic adviser to the GoI in the Ministry of Commerce & Industry, GoI. He also served as chief general manager of our Promoter, and was in charge of economic research and corporate communications.

## Compensation of our Directors

Name of Directors	Remuneration (including sitting fees) paid in fiscal 2011
Atul Kumar Rai	Nil
Sujit Kumar Mandal	Nil
Tarun Kumar Ray	75,000



Name of Directors	Remuneration (including sitting fees) paid in fiscal 2011
Rakesh Kapoor	4,896,264
K.R. Ramamoorthy	30,000
Baleshwar Rai	52,500
Raju Sharma*	Nil
Vinod Kumar Gupta	5,000
Maroof Raza	10,000
Shrawan Nigam*	Nil

\* Appointed in fiscal 2012

We have not entered into any service contracts with our Directors providing for benefits on termination of employment.

### ***Non-executive and Independent Directors***

We have not entered into any formal arrangements/service contracts with our non-executive and independent Directors. Our Board on April 26, 2011, has recommended the payment of sitting fees of up to ₹ 12,000 for attending each meeting of the Board and ₹ 7,500 for attending fees for any committee thereof.

### **Terms and conditions of employment of our whole-time Directors**

#### ***Rakesh Kapoor***

Pursuant to a resolution of our shareholders at their meeting dated July 12, 2011, Rakesh Kapoor has been appointed as the Managing Director of our Company with effect from July 9, 2010 until he attains the age of 58 years. The terms and conditions of his Directorship include:

		(₹ per annum)
Component Name	Amount	
Basic Salary	1,089,276.00	
Company Provided Accommodation	19,062.00	
Leave Travel Allowance	90,773.00	
Education	2,400.00	
Fuel Reimbursement	120,000.00	
Driver Salary	60,000.00	
Car Maintenance	30,000.00	
Supplementary Allowance	1,202,750	
Company Contribution to Retirals	108,928.00	
<b>Total</b>	<b>2,723,189.00</b>	

### **Borrowing Powers of the Board of Directors of our Company**

Our Articles of Association, subject to Sections 58A, 292 and 293 of the Companies Act, authorize our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of our Company. Pursuant to a resolution passed at the annual general meeting dated July 12, 2011, our shareholders have authorised our Board to borrow from time to time such sums of money as may be required, provided that the aggregate borrowings of our Company shall not exceed ₹ 15,000 million.

### **Corporate Governance**

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 on the listing of our Equity Shares with the Stock Exchanges. We believe we are in compliance with the requirements of the applicable regulations, including the Listing Agreement with the Stock Exchanges and the SEBI ICDR Regulations, in respect of corporate governance including constitution of the Board and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law.

Our Board is constituted in compliance with the Companies Act and Listing Agreement with Stock Exchanges. The Board functions either on its own or through various committees constituted to oversee specific operational areas.

The Board has eight directors, of which four are independent Directors.

### **Committees of the Board**

Our Company has constituted the following Board committees for compliance with corporate governance requirements:

#### **a. *Audit Committee***

The Audit Committee was constituted by our Directors at their Board meeting held on March 29, 2001 and reconstituted on June 28, 2011. The Audit Committee comprises:

1. Raju Sharma (Chairman)
2. Tarun Kumar Ray (Member)
3. Vinod Kumar Gupta (Member)

The scope and function of the Audit Committee is in accordance with Section 292A of the Companies Act and clause 49 of the Listing Agreement and its terms of reference are as follows:

- overseeing 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;
- approving the payment to statutory auditors for any other services rendered by the statutory 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;
  - (b) Changes, if any, in accounting policies and practices along with 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; and
  - (g) Qualifications in the draft audit report.
- reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take steps in this matter;
- 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;
- discussing with internal auditors any significant findings and follow up thereon;
- 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;
- discussing 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;

- looking into reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- reviewing the functioning of the whistle blower mechanism in case the same is existing; and
- carrying out any other function as is mentioned in the terms of reference of the Audit Committee or contained in the Listing Agreement as and when amended from time to time.

As required under the Listing Agreement, the Audit Committee shall meet at least four times in a year, and not more than four months shall elapse between two meetings and the Audit Committee shall have authority to investigate into any matter in relation to the items specified under the terms of reference or such other matter as may be referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and shall have power to obtain external professional advice, if necessary. The quorum shall be either two members, or one-third of the members of the Audit Committee, whichever is greater, provided that there should be a minimum of two members that are independent directors present.

**b. *Investors' Grievance Committee***

The Investors' Grievance Committee was constituted pursuant to the resolution passed by the Board at its meeting held on April 26, 2011. The Investor Grievance Committee comprises:

1. Baleshwar Rai (Chairman)
2. Vinod Kumar Gupta (Member)
3. Sujit Kumar Mandal (Member)
4. Rakesh Kapoor (Member)

The terms of reference of the Investor Grievance Committee are as under:

- redressal of investors' complaints;
- allotment of shares, approval of transfer or transmission of equity shares, debentures or any other securities;
- issue of duplicate certificates and new certificates on split, consolidation, renewal and related matters;
- non-receipt of declared dividends, balance sheets of the Company, and related matters; and
- carrying out any other function contained in the Listing Agreement.

The Investors' Grievance Committee shall meet at least four times a year with a maximum interval of four months between two meetings, and shall report on quarterly basis to the Board, regarding the status of redressal of complaints received from the shareholders of the Company, for review thereof and publication along with the quarterly un-audited financial results, pursuant to the requirements of Clause 41 of the Listing Agreement. The quorum for each meeting of the Investors' Grievance Committee shall be two members personally present.

**c. *Remuneration Committee***

The Remuneration Committee was constituted pursuant to the resolution passed by the Board at its meeting held on April 26, 2011. The Remuneration Committee comprises:

1. Atul Kumar Rai (Chairman)
2. Raju Sharma (Member)
3. Baleshwar Rai (Member)

The terms of reference of the Remuneration Committee are as under:

- reviewing, assessing and recommending the appointment of Executive/Non-Executive Directors;
- reviewing the remuneration packages of Executive/Non-Executive Directors and senior employees;
- recommending payment of compensation in accordance with the provisions of the Companies Act;
- considering and recommending grant of employees stock option, if any, and administration and superintendence of the same; and
- carrying out any other function contained in the Listing Agreement as and when amended from time to time.

The Remuneration Committee shall meet at least once in six months, or as decided by the members from time to

time. The Remuneration Committee shall have the authority to investigate into any matter in relation to the items specified under the terms of reference or such other matter as may be referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and shall have power to obtain external professional advice, if necessary. The quorum for the meetings of the Remuneration Committee shall be two members personally present.

### Interest of our Directors

All our whole-time Directors may be deemed to be interested to the extent of remuneration paid to them for services rendered as Directors of our Company and reimbursement of expenses payable to them. For more information, see “*Terms and conditions of employment of our whole-time Directors*” above. Further, all our independent Directors are entitled to receive sitting fees for attending the Board/committee meetings within the limits laid down in the Companies Act and as decided by our Board.

Our Directors may also be interested to the extent of Equity Shares, if any, held by the entities in which they are associated as promoters, directors, partners, proprietors or trustees or held by their relatives or that may be subscribed by or allotted to the companies, firms, ventures, trusts in which they are interested as promoters, directors, partners, proprietors, members or trustees, pursuant to this Issue. Further, all our Directors may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and Allotted to them, out of the present Issue. Such Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares and the ESOPs granted to them under the ESOP Scheme. For more information on the ESOP Scheme, see “*Capital Structure*” on page 18.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Draft Red Herring Prospectus or proposed to be acquired by it.

In terms of our AoA, our Company shall indemnify our Directors up to the extent permitted under applicable law.

Except as stated in the “*Financial Statements*” on page 102, the Directors do not have any other interest in the business of our Company.

During the five years preceding the date of filing of this Draft Red Herring Prospectus, none of our Directors is or was a director on any listed company(ies) whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in such companies.

None of our Directors is or was a director on any listed company(ies) that have been or were delisted from any stock exchange, during the term of their directorship in such companies.

### Changes in our Board of Directors during the last three years

The changes in the Board of Directors during the last three years are as follows:

Name of Director	Date of change	Reason
Atul Kumar Rai	May 24, 2010	Reappointment
Sujit Kumar Mandal	May 24, 2010	Reappointment
Tarun Kumar Ray	April 16, 2010*	Appointment
Rajeev Singh Sandhu	May 25, 2009	Reappointment
	April 16, 2010	Resignation
Maroof Raza	March 13, 2009**	Appointment
	December 23, 2010	Resignation
Rakesh Kapoor	July 9, 2010 <sup>#</sup>	Reappointment
K.R. Ramamoorthy	July 18, 2008***	Appointment
	April 26, 2011	Resignation
Vinod Kumar Gupta	March 15, 2011 <sup>##</sup>	Appointment
Raju Sharma	March 15, 2011 <sup>##</sup>	Appointment
Baleshwar Rai	July 22, 2010 <sup>##</sup>	Appointment
Shrawan Nigam	June 28, 2011 <sup>##</sup>	Appointment

\* Regularized pursuant to a resolution passed at an AGM dated May 24, 2010

\*\* Regularized pursuant to a resolution passed at an AGM dated May 25, 2009

\*\*\* Regularized pursuant to a resolution passed at an AGM dated May 25, 2009

<sup>#</sup> Regularized through a resolution passed at an EGM dated July 12, 2011<sup>##</sup>Appointed as additional Director. Regularization is proposed to be undertaken at the following AGM.

### **Shareholding of Directors in our Company**

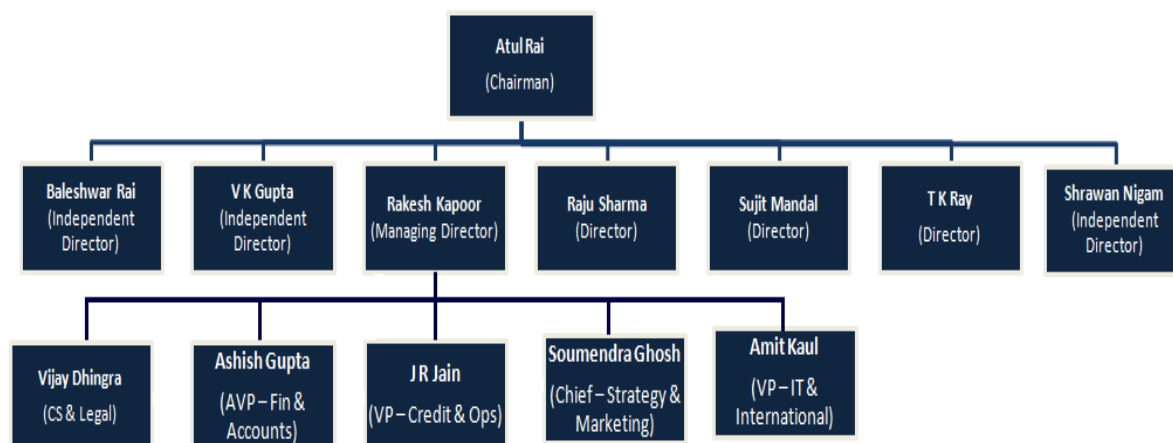
Except as disclosed in “*Capital Structure – Employee Stock Options*”, none of our Directors hold any Equity Shares in our Company.

### **Bonus or profit sharing plan for our Directors**

For more information, see “*-Payment or Benefit to officers of our Company*” below.

## Management Organisation Structure

The organization structure of our Company is as set forth below:



## Our Key Managerial Personnel

**Janak Raj Jain**, Vice President (Credit), aged 64 years, joined our Company on March 20, 2007. He is a chartered accountant by profession. He is in-charge of credit functions in our Company. He has 30 years of experience in the banking sector and has previously worked with Punjab National Bank as senior manager. The gross salary paid to him in fiscal 2011 was ₹ 1.31 million.

**Soumendra Ghosh**, Chief - Strategy & Marketing, aged 28 years, joined our Company on July 14, 2010. He holds a bachelor's degree in telecommunication engineering from Visveswaraiah Technological University, and a master's degree in business administration from Indian School of Business, Hyderabad. He is in-charge of marketing in our Company. He has six years of experience in the sales, marketing and financial sectors and has previously worked with National Instruments India Private Limited as sales manager. The gross salary paid to him in fiscal 2011 was ₹ 0.67 million.

**Ashish Gupta**, Assistant Vice President (Finance & Accounts), aged 29 years, joined our Company on May 3, 2010. He is a chartered accountant by profession. He is in-charge of finance and accounts in our Company. He has six years of experience in finance and accounts and has previously worked with Price Waterhouse as assistant manager. The gross salary paid to him in fiscal 2011 was ₹ 1.20 million.

**Amit Kaul**, Vice President (Information Technology and International), aged 45 years, joined our Company on June 29, 2009. He holds a bachelor's degree in electronics and communications engineering from Karnatak University and a diploma of proficiency in international factoring from FCI. He is in-charge of information technology and international factoring operations in our Company. He has 19 years of experience in the information technology sector and has previously worked with Sanvei Overseas Private Limited as director, strategic business. The gross salary paid to him in fiscal 2011 was ₹ 1.57 million.

**Vijay Dhingra**, Senior Manager (Legal and Secretarial) and Company Secretary, aged 33 years, joined our Company on April 12, 2010. He holds a bachelor's degree in commerce from Delhi University, a bachelor's degree in law from Chowdhary Charan Singh University, Meerut, and is a company secretary by profession. He is in-charge of secretarial and legal functions in our Company. He has eight years of experience in legal and secretarial functions and has previously worked with HSBC InvestDirect Securities (India) Limited as manager. The gross salary paid to him in fiscal 2011 was ₹ 1 million.

Soumendra Ghosh, who is a permanent employee of our Promoter, has been currently deputed to our Company.

The term of office of our employees, including our key managerial personnel, is until their services are cancelled and the age of superannuation is 58, extendable by up to two years, whichever is earlier. The key managerial personnel are entitled to certain benefits, including driver salary, leave reimbursement, leave travel



allowance and phone expenses, reimbursement of expenses incurred by them during the ordinary course of business and any employee stock options held by them.

None of our key managerial persons are related to each other.

### Shareholding of the Key Managerial Personnel

Except as disclosed in “*Capital Structure – Employee Stock Options*”, none of our key managerial personnel holds any Equity Shares of the Company.

### Bonus or profit sharing plan for our Key Managerial Personnel

For more information, see “*-Payment or Benefit to officers of our Company*” below.

### Interest of Key Managerial Personnel

Other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment, the key managerial personnel of our Company do not have any interest in the business of the Company.

None of our key managerial personnel has been paid any consideration of any nature from our Company, other than their remuneration. Except as disclosed in “*Capital Structure – Employee Stock Options*”, none of our key managerial personnel holds any Equity Shares of the Company.

### Changes in Key Managerial Personnel in the last three years

Name	Date of Change	Reason
E. R. Seshadri	December 31, 2008	Cessation of term
Ravi Chadha	December 31, 2008	Cessation of term
V.K. Gupta	April 30, 2010	Resignation
Amit Verma	January 27, 2009	Appointment
	July 26, 2010	Termination
Ajay Handa	January 29, 2009	Appointment
	September 30, 2010	Resignation
Amit Kaul	June 29, 2009	Appointment
Vijay Dhingra	April 12, 2010	Appointment
Ashish Gupta	May 3, 2010	Appointment
Soumendra Ghosh	June 1, 2010	Appointment

### Employee Stock Option or Stock Purchase Scheme

For more information on the ESOP Scheme, see “*Capital Structure*” on page 18.

### Payment or Benefit to officers of our Company

Our Company implemented the PLI Scheme pursuant to resolution of our Board of Directors in its meeting dated July 21, 2009, which is applicable to all employees. The PLI Scheme is based on individual performance as well as the overall performance of our Company, payable on an annual basis. We paid ₹ 8.79 million and ₹ 8.25 million for fiscal 2011 and fiscal 2010 to our employees pursuant to the PLI Scheme.

Except for certain benefits, including driver salary, leave reimbursement, leave travel allowance and phone expenses, reimbursement of expenses incurred by them during the ordinary course of business and any employee stock options held by them, or as stated otherwise in this Draft Red Herring Prospectus, no non-salary amount or benefit has been paid or given or is intended to be paid or given to any of our Company’s officers except remuneration of services rendered as Directors, officers or employees of our Company.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of our Company.

### Arrangements and understanding with major shareholders

Atul Kumar Rai, Sujit Kumar Mandal and Tarun Kumar Ray, who have been nominated on the Board of Directors of our Company by our Promoter. Except Soumendra Ghosh, who has been deputed to our Company by our Promoter, none of our Key Managerial Personnel or Directors has been appointed pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others.

## OUR PROMOTER AND GROUP ENTITIES

The Promoter of our Company is IFCI. Our Promoter currently holds 79,154,700 Equity Shares, which constitutes 99.74% of our pre-Issue paid-up Equity Share capital, and will continue to hold the majority of our post-Issue paid-up Equity Share capital.

Our Promoter acquired 1,500,000 Equity Shares of our Company from T.C.F.C. Finance Limited on April 23, 1999, 2,718,750 Equity Shares of our Company from BOAOC on March 3, 2003 and 9,330,050 Equity Shares of our Company from Mohan Exports, alongside being allotted 750,000 Equity Shares of our Company on April 23, 1999 and 5,000,000 Equity Shares of our Company on April 28, 1999, thereby securing control of our Company to become our holding company. For more information, see “*Capital Structure*” and “*History and Certain Corporate Matters*” on pages 18 and 76, respectively.

We confirm that the PAN, bank account numbers, company registration number and the address of the registrar of companies where our Promoter is registered will be submitted to the Stock Exchanges, at the time of filing this Draft Red Herring Prospectus with the Stock Exchanges.

### Our Promoter

#### IFCI

Our Promoter was established as the ‘Industrial Finance Corporation of India’ on July 1, 1948 by virtue of the Industrial Finance Corporation of India Act, 1948. Pursuant to the Industrial Finance Corporation (Transfer of Undertaking and Repeal) Act, 1993, our Promoter was corporatised in July 1993, its name was changed to ‘IFCI Limited’ and a fresh certificate of incorporation was obtained from the RoC on May 21, 1993. The registered and corporate office of our Promoter is situated at IFCI Tower, 61, Nehru Place, New Delhi 110 019. Its corporate identification number is L74899DL1993PLC053677.

Our Promoter is primarily engaged in the business of providing long-term lending to entities in the industrial and infrastructural sectors. It is presently registered with the RBI as a NBFC-ND-SI and is also a notified PFI under Section 4A of the Companies Act.

There has been no change in control or management of our Promoter in the last three years.

The Equity Shares of our Promoter are listed on six stock exchanges in India, namely, the BSE, the NSE, the Delhi Stock Exchange Limited, the Kolkata Stock Exchange, the Madras Stock Exchange Limited and the Ahmedabad Stock Exchange Limited, as on the date of this Draft Red Herring Prospectus. However, our Promoter has filed applications for delisting of its Equity Shares with the Delhi Stock Exchange Limited, the Kolkata Stock Exchange, the Madras Stock Exchange Limited and the Ahmedabad Stock Exchange Limited. The details of listing of the equity shares of our Promoter on the Stock Exchanges are set forth below:

Name of Stock Exchange	Date of Listing
The BSE	February 23, 1994
The NSE	April 26, 1995

#### Shareholding Pattern

Set forth below is the shareholding pattern of our Promoter as on June 30, 2011.

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(1) Indian							
(2) Foreign							
(B) Public Shareholding							
(1) Institutions							
Mutual Funds/UTI	58	7,393,212	7,379,712	1	1	-	-
Financial Institutions/Banks	225	102,738,436	99,652,436	13.92	13.92	-	-
Insurance Companies	10	106,198,758	88,422,458	14.39	14.39	-	-
Foreign Institutional Investors	120	143,507,941	143,486,141	19.45	19.45	-	-
Sub Total	413	359,838,347	338,940,747	48.77	48.77	-	-
(2) Non-Institutions							
Bodies Corporate	5,174	71,801,188	71,554,287	9.73	9.73	-	-
Individuals						-	-
Individual shareholders holding nominal share capital up to ₹ 1 lakh	772,311	241,112,374	218,657,653	32.68	32.68	-	-
Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,877	56,485,317	56,355,217	7.66	7.66	-	-
Trust & Foundation	38	140,686	139,786	0.02	0.02	-	-
Non Resident Indians	3,828	8,456,419	8,305,819	1.15	1.15	-	-
Overseas Corporate Bodies	1	3,000	3,000	-	-	-	-
Any Others (Specify)	3,867	8,600,105	8,448,605	1.17	1.17	-	-
Sub Total	783,229	377,998,984	355,015,762	51.23	51.23	-	-
Total Public shareholding (B)	783,642	737,837,331	693,956,509	100	100	-	-
Total (A)+(B)	783,642	737,837,331	693,956,509	100	100	-	-
(C) Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	-	-	-
(1) Promoter and Promoter Group	-	-	-	-	-	-	-
(2) Public	-	-	-	-	-	-	-
Sub Total	-	-	-	-	-	-	-
Total (A)+(B)+(C)	783,642	737,837,331	693,956,509	-	100	-	-

### *Board of Directors*

As on June 30, 2011, the board of directors of our Promoter comprises P.G. Muralidharan (Chairman), Atul Kumar Rai (Managing Director), K.V. Eapen, Sanjeev Kumar Jindal, Shilabhadra Banerjee, Rakesh Bharti Mittal, Prakash P. Mallya, Usha Sangwan, Shobhit Mahajan, K. Raghuraman, S. Shabbeer Pasha, Omprakash Mishra and Sujit Kumar Mandal.

### *Financial Information (Standalone)*

The audited financial results of our Promoter for fiscal 2011, 2010 and 2009 are set forth below.

	<i>(₹ in million except per share data)</i>		
	<b>Fiscal 2011</b>	<b>Fiscal 2010</b>	<b>Fiscal 2009</b>
Equity capital	7,378.40	7,378.40	7,624.10
Reserves and surplus (excluding revaluation)	40,017.05	24,138.00	26,324.70
Sales/Turnover	24,216.39	16,570.44	14,020.66
Profit/(Loss) after tax	7,062.51	6,709.40	6,571.50
Earnings per share (₹) (Basic)	9.57	9.08	8.55
Earnings per share (₹) (Diluted)	8.30	5.68	4.58
Net asset value per share (₹)	50.98	42.71	37.09

### *Significant notes of auditors*

There are no significant notes of auditors in the last fiscal.

### *Highest and Lowest Market Price during the Preceding Six Months*

Monthly high and low price of the equity shares of our Promoter during the preceding six months at the Stock Exchanges are as follows:

<b>Month</b>	<b>BSE</b>		<b>NSE</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
June 2011	49.60	42.55	49.60	42.50
May 2011	52.45	44.30	52.45	44.25
April 2011	57.80	51.65	57.80	51.65
March 2011	55.95	50.25	56.00	50.25
February 2011	54.70	46.90	54.75	47.00
January 2011	68.50	52.25	68.50	47.45

*(Source: www.bseindia.com and www.nseindia.com)*

The closing share prices of IFCI as on June 30, 2011 on the Stock Exchanges were ₹ 45.75 and ₹ 45.80, respectively.

The market capitalisation of IFCI as on June 30, 2011 as per the closing price on the Stock Exchanges were ₹ 33,756.6 million and ₹ 33,792.95 million, respectively.

### *Capital Issues in the preceding Three Years*

Our Promoter has not undertaken any public issue or rights issue of share capital in the preceding three years.

### *Rates of Dividend*

Rates of dividend for fiscal 2011, 2010 and 2009 were 10%, 10% and 8% respectively.

### *Promise versus Performance*

Our Promoter has not undertaken any public or rights issue in the ten years preceding the date of this Draft Red Herring Prospectus.

### *Mechanism for Redressal of Investors' Grievances*

The board of directors of our Promoter have constituted an investors' grievance committee comprising P.G. Muralidharan (Chairman), Shilabhadra Bannerjee, Shabbeer Pasha and K. Raghuraman, in accordance with clause 49 of the Listing Agreement entered into with the Stock Exchanges to look into the redressal of complaints of investors. Rupa Sarkar, the Senior Associate Vice President and Company Secretary of our Promoter, is the compliance officer.

Our Promoter normally takes five to seven business days to dispose of investor complaints. Our Promoter received 7,649 investor complaints in the last three years and 7,626 of such investor complaints were disposed of in that period. As on June 30, 2011, there were five investor complaints pending against our Promoter.

### *Promoter of our Promoter*

The equity shares of our Promoter as on the date of this Draft Red Herring Prospectus are widely held, and there is no identifiable promoter of our Promoter.

### *Interest of our Promoter*

Our Promoter is interested in our Company to the extent of its shareholding of 99.74% of the issued, paid-up and subscribed Equity Share capital of our Company. Further, we have entered into financing agreements with our Promoter for financial assistance, as well as certain financing agreements with third parties, in respect of which our Promoter has provided letters of comfort and awareness towards security. Our Promoter is further entitled to, pursuant to certain financing arrangements entered into between our Company and our Promoter, nominate a director on our Board of Directors. For more information, see "**Financial Indebtedness**" on page 148.

Further, our Company entered into a lease agreement with our Promoter, effective from January 16, 2011, in respect of our Office pursuant to which we are required to pay ₹ 2,426,256 per month as rent. Additionally, our representatives in locations other than at our Office, operate from the premises of our Promoter in such respective locations. Our Company receives general infrastructural support from our Promoter in all such locations. We also source prospective clientele through our Promoter. For more information, see "**Our Business**" on page 56, and for information on assignment of debt and reimbursement of expenses to our Promoter, see "**Financial Statements**" on page 102.

Our Promoter and Group Entities confirm that they have no interest in any property acquired by our Company during the last two years preceding the date of filing of this Draft Red Herring Prospectus.

### **Our Group Entities**

Set forth below are our Group Entities.

#### **Listed Group Entities**

1. TFCI

#### **Unlisted Group Entities**

1. Assets Care and Reconstruction Enterprise Limited ("**ACRE**")
2. ARPL
3. BCIL
4. Entrepreneurship Development Institute of India ("**EDI**")
5. GITCO Limited ("**GITCO**")
6. HARDICON Limited ("**HARDICON**")
7. Himachal Consultancy Organization Limited ("**HIMCON**")
8. ITSL
9. IFIN
10. IIDL



11. IFCI Venture
12. IFIN Commodities
13. IFIN Credit
14. ITCOT Consultancy and Services Limited (“ITCOT”)
15. ILD
16. KITCO Limited (“KITCO”)
17. MDI
18. MITCON Consultancy and Engineering Services Limited (“MITCON”)
19. MPCON
20. NSIPL
21. NEDFI
22. NEITCO
23. North India Technical Consultancy Organization Limited (“NITCON”)
24. RGVN
25. SHCIL
26. UPICO

## A. Group Entities

### 1. TFCI

TFCI was incorporated on January 27, 1989 under the Companies Act as a public limited company. The registered office of TFCI is situated at 4<sup>th</sup> Floor, Tower 1, NBCC Plaza, Sector 5, Pushp Vihar, Saket, New Delhi 110 017. The corporate identification number of TFCI is L65910DL1989PLC034812. TFCI is a PFI and is currently engaged in the business of providing financial assistance to entities including enterprises and corporate bodies for setting up and/or development of tourism related and infrastructure projects, facilities and advisory services.

The equity shares of TFCI are presently listed on the Stock Exchanges.

#### Shareholding Pattern

Our Promoter holds 37.86% of the issued, paid-up and subscribed capital of TFCI of 80.72 million equity shares, and the shareholding pattern of TFCI as on June 30, 2011 is as follows:

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialised Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Individuals/Hindu Undivided Family	-	-	-	-	-	-	-
Central Government/State Government(s)	-	-	-	-	-	-	-
Bodies Corporate	-	-	-	-	-	-	-
Financial Institutions/Banks	7	50,219,321	50,218,021	62.22	62.22	-	-
Any Other (Specify)	-	-	-	-	-	-	-
Sub Total	7	50,219,321	50,218,021	62.22	62.22	-	-
(2) Foreign							
Individuals (Non-Resident Individuals/Foreign Individuals)	-	-	-	-	-	-	-
Bodies Corporate	-	-	-	-	-	-	-

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialised Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
Institutions	-	-	-	-	-	-	-
Any Other (Specify)	-	-	-	-	-	-	-
<b>Total shareholding of Promoter and Promoter Group (A)</b>	<b>7</b>	<b>50,219,321</b>	<b>50,218,021</b>	<b>62.22</b>	<b>62.22</b>	<b>-</b>	<b>-</b>
<b>(B) Public Shareholding</b>							
<b>(1) Institutions</b>							
Mutual Funds/UTI	3	3,200	-	-	-	-	-
Financial Institutions/Banks	6	259,065	258,465	0.32	0.32	-	-
Foreign Institutional Investors	1	195,000	195,000	0.24	0.24	-	-
<b>Sub Total</b>	<b>10</b>	<b>457,265</b>	<b>453,465</b>	<b>0.57</b>	<b>0.57</b>	<b>-</b>	<b>-</b>
<b>(2) Non-Institutions</b>							
Bodies Corporate	821	6,825,728	6,734,928	8.46	8.46	-	-
<b>Individuals</b>							
Individual shareholders holding nominal share capital up to ₹ 1 lakh	62,856	16,789,600	14,095,791	20.80	20.80	-	-
Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	154	6,020,281	5,998,281	7.46	7.46	-	-
<b>Any Others (Specify)</b>							
Non Resident Indians	272	395,578	395,578	0.49	0.49	-	-
Trust & Foundation	4	8,975	8,975	0.01	0.01	-	-
<b>Sub Total</b>	<b>64,107</b>	<b>30,040,162</b>	<b>27,233,553</b>	<b>37.22</b>	<b>37.22</b>	<b>-</b>	<b>-</b>
<b>Total Public shareholding (B)</b>	<b>64,117</b>	<b>30,497,427</b>	<b>27,687,018</b>	<b>37.78</b>	<b>37.78</b>	<b>-</b>	<b>-</b>
<b>Total (A)+(B)</b>	<b>64,124</b>	<b>80,716,748</b>	<b>77,905,039</b>	<b>100.00</b>	<b>100.00</b>	<b>-</b>	<b>-</b>
<b>(C) Shares held by Custodians and against which Depository Receipts have been issued</b>							
(1) Promoter and Promoter Group	-	-	-	-	-	-	-
(2) Public	-	-	-	-	-	-	-
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A)+(B)+(C)</b>	<b>64,124</b>	<b>80,716,748</b>	<b>77,905,039</b>	<b>-</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

### Financial Performance

The audited financials of TFCI for fiscal 2011, 2010 and 2009 are set forth below.

	(₹ in million except per share data)		
	Fiscal 2011	Fiscal 2010	Fiscal 2009
Equity capital	807.16	807.16	807.16
Reserves and surplus (excluding revaluation)*	2,593.79	2,262.26	2,038.31
Sales/Turnover	1,079.89	800.73	672.72
Profit/(Loss) after tax	444.10	340.76	289.71
Earnings per share (₹) (Basic)	5.50	4.22	3.59
Earnings per share (₹) (Diluted)	5.50	4.22	3.59
Net asset value per share (₹)	106.21	85.68	79.48

\* Excludes debit balance in the profit and loss account

### *Significant notes of auditors*

There are no significant notes of auditors in the last fiscal.

### *Highest and lowest market price during the preceding six months*

Monthly high and low price of the equity shares of TFCI during the preceding six months at the Stock Exchanges are set forth below.

Month	BSE		NSE	
	High	Low	High	Low
June 2011	28.25	23.60	28.20	23.50
May 2011	29.65	26.25	29.80	26.10
April 2011	31.15	26.60	31.20	26.35
March 2011	27.90	25.50	28.30	25.05
February 2011	30.55	25.40	30.65	25.50
January 2011	37.35	29.55	37.15	29.55

(Source: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com))

The closing share prices of TFCI as on June 30, 2011 on the BSE and the NSE were ₹ 27.05 and ₹ 27.05, respectively.

The market capitalisation of TFCI as on June 30, 2011 as per the closing price on the BSE and the NSE were ₹ 2,183.38 million and ₹ 2,183.38 million, respectively.

### *Public or Rights Issue in the last three years*

TFCI has not made any public or rights issue in the past three years.

### *Rates of Dividend*

Rates of dividend for fiscal 2011, 2010 and 2009 were 12%, 12% and 10% respectively.

### *Promise v. performance*

TFCI has not made any public or rights issue in the ten years preceding the date of this Draft Red Herring Prospectus.

### *Mechanism for redressal of investor grievance*

The board of directors of TFCI has constituted a shareholders'/investors' grievance committee comprising R.R. Rai (Chairman), S.K. Ganguli and Satpal Arora, in accordance with Clause 49 of the Listing Agreement entered into with the stock exchanges to approve matters such as redressal of complaints of investors such as transfers or credit of shares to demat accounts and non-receipt of dividend/annual reports. Rajiv Singh, the senior company secretary of TFCI, is the compliance officer. TFCI seeks to redress any complaints received as expeditiously as possible.

As of June 30, 2011, there were no investor complaints pending against TFCI.

## **2. SHCIL**

SHCIL was incorporated on July 28, 1986 under the Companies Act as a public limited company. The registered office of SHCIL is situated at 301, Centre Point, Dr. B.R. Ambedkar Road, Parel, Mumbai 400 012. The corporate identification number of SHCIL is U67190MH1986PLC040506. SHCIL is currently engaged in the business of acting as custodian of securities, depository participant, professional clearing member, sub-broker, distributor of various financial products and central record-keeping agency in respect of e-stamping in India.

The equity shares of SHCIL are presently not listed on any stock exchange in India.

Our Promoter holds 16.96% of the issued, paid-up and subscribed capital of 21,054,400 equity shares. As of the date of this Draft Red Herring Prospectus, the equity shares of SHCIL are not listed on any stock exchange.

#### *Financial Performance*

The audited financial results of SHCIL for fiscal 2011, 2010 and 2009 are set forth below:

(₹ in million, except share data)

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Equity capital	210.54	210.54	210.54
Reserves and surplus (excluding revaluation)*	4078.50	3564.90	3024.10
Sales/Turnover	2295.50	2199.50	1560.00
Profit/(Loss) after tax	636.10	2843.70	663.60
Earnings per share (₹) (Basic)	30.21	135.06	31.52
Earnings per share (₹) (Diluted)	30.21	135.06	31.52
Net asset value per share (₹)	203.71	179.30	153.66

\* Excluding debit balance in the profit and loss account

#### *Significant notes of auditors*

There are no significant notes of auditors in the last fiscal.

### **3. NEDFI**

NEDFI was incorporated on August 9, 1995 under the Companies Act as a public limited company, and is also a PFI. The registered office of NEDFI is situated at 'NEDFI House', G.S. Road, Dispur, Guwahati 781 006. The corporate identification number of NEDFI is U65923AS1995GOI004529. NEDFI is engaged in the business of term lending, including by way of financing industrial and infrastructure projects, services sector and agriculture and allied industries.

Our Promoter holds 10.00% of the issued, paid-up and subscribed capital of 100,000,007 equity shares of NEDFI. As of the date of this Draft Red Herring Prospectus, the equity shares of NEDFI are not listed on any stock exchange.

#### *Financial Performance*

The audited financial results of NEDFI for fiscal 2011, 2010 and 2009 are set forth below:

(₹ in million, except share data)

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Equity capital	1,000.00	1,000.00	1,000.00
Reserves and surplus (excluding revaluation)*	2,404.60	2,080.83	1,812.10
Sales/Turnover	617.60	528.29	365.80
Profit/(Loss) after tax	332.49	296.78	243.36
Earnings per share (₹) (Basic)	3.32	2.97	2.44
Earnings per share (₹) (Diluted)	3.32	2.97	2.44
Net asset value per share (₹)	34.05	30.81	28.12

\*excludes debit balance in the profit and loss account

#### *Significant notes of auditors*

There are no significant notes of auditors in the last fiscal.

### **4. MITCON**

MITCON was incorporated on April 16, 1982 as a public limited company under the Companies Act. The registered office of MITCON is situated at Kubera Chambers, Shivaji Nagar, Pune 411 005. The corporate identification number of MITCON is U74140MH1982PLC026933. MITCON is currently engaged in the business of industrial and technical consultancy and training.

Our Promoter holds 12.50% of the issued, paid-up and subscribed capital of 50,000 equity shares. As of the date of this Draft Red Herring Prospectus, the equity shares of MITCON are not listed on any stock exchange.

#### *Financial Performance*

The audited financial results of MITCON for fiscal 2011, 2010 and 2009 are set forth below:

(₹ in million, except share data)

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Equity capital	5.00	5.00	5.00
Reserves and surplus (excluding revaluation)*	360.17	263.82	199.16
Sales/Turnover	468.12	369.60	268.24
Profit/(Loss) after tax	99.67	67.91	54.21
Earnings per share (₹) (Basic)	1,993.51	1,358.37	1,084.36
Earnings per share (₹) (Diluted)	1,993.51	1,993.51	1,084.36
Net asset value per share (₹)	4,037.53	3,102.03	2,327.85

\* Excluding debit balance in the profit and loss account

#### *Significant notes of auditors*

There are no significant notes of auditors in the last fiscal.

### **5. IFCI Venture**

IFCI Venture was initially registered on January 22, 1975 as 'Risk Capital Foundation', a society registered under the Societies' Registration Act, 1860. Thereafter, IFCI Venture was corporatized on January 12, 1988 as a public limited company under the Companies Act. The registered office of IFCI Venture is situated at 11<sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019. IFCI Venture is currently engaged in the business of managing venture or private equity funding including by way of equity contribution and debentures.

Our Promoter holds 98.60% of the issued, paid-up and subscribed capital of 60,371,008 equity shares. As of the date of this Draft Red Herring Prospectus, the equity shares of IFCI Venture are not listed on any stock exchange.

#### *Financial Performance*

The audited financial results of IFCI Venture for fiscal 2011, 2010 and 2009 are set forth below:

(₹ in million, except share data)

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Equity capital	603.71	603.71	341.11
Reserves and surplus (excluding revaluation)	751.88	620.47	333.67
Sales/Turnover	278.46	98.14	341.11
Profit/(Loss) after tax	131.40	49.41	25.30
Earnings per share (₹) (Basic)	2.18	1.26	1.21
Earnings per share (₹) (Diluted)	2.18	0.82	0.74
Net asset value per share (₹)	22.45	20.28	19.78

#### *Significant notes of auditors*

There are no significant notes of auditors in the last fiscal.

### **Group Entities with Negative Net Worth**

The following Group Entity had negative net worth in fiscal 2009. The audited financial results of NEITCO for fiscal 2011 and 2010 are not available.

#### **1. NEITCO**

NEITCO was incorporated on July 18, 1973 as a public limited company under the Companies Act. The registered office of NEITCO is situated at Udyog Vikash Bhavan, 1<sup>st</sup> Floor, G.S. Road, Bhangagarh, Guwahati, 781 005. NEITCO is currently engaged in the business of providing consultancy services, training and employment generation programmes in the north-eastern region in India.

Our Promoter holds 13.43% of the issued, paid-up and subscribed capital of 2,256 equity shares. As of the date of this Draft Red Herring Prospectus, the equity shares of NEITCO are not listed on any stock exchange.

### Financial Performance

The audited financial results of NEITCO for fiscal 2011 and 2010 are not available. The audited financial results for fiscal 2009, 2008 and 2007 are set forth below:

	(₹ in million, except share data)		
	Fiscal 2009	Fiscal 2008	Fiscal 2007
Equity capital	2.26	2.26	2.26
Reserves and surplus (excluding revaluation)	-	-	-
Sales/Turnover	5.07	9.27	7.64
Profit/(Loss) after tax	(2.79)	(2.29)	(4.26)
Earnings per share (₹) (Basic)	NA	NA	NA
Earnings per share (₹) (Diluted)	NA	NA	NA
Net asset value per share (₹)	(14,740.25)	(13,503.99)	(12,491.13)

### Significant notes of auditors

There are no significant notes of auditors in fiscal 2009.

### Other Group Entities

The following entities also form part of our Group Entities.

S. No.	Name	Brief description of business	Percentage shareholding of our Promoter
1.	ACRE	Asset reconstruction	37.91
2.	ARPL**	Real estate	100.00
3.	BCIL <sup>#</sup>	Consultancy in biotechnology	22.35
4.	EDI	Entrepreneurship development activities	Contributed to corpus
5.	GITCO	Consultancy	12.50
6.	HARDICON	Consultancy	26.00
7.	HIMCON	Consultancy and training	49.00
8.	ITSL	Trusteeship services	14.92
9.	IIDL	Real estate and infrastructure development	100.00
10.	IFIN	Stock-broking, currency trading, portfolio management services, depository participant services, merchant banking, insurance distribution, mutual fund products distribution, initial public offering distribution and corporate advisory services	76.08
11.	IFIN Commodities*	Commodities broking	100.00
12.	IFIN Credit*	Not engaged in any operations as on the date of this Draft Red Herring Prospectus	100.00
13.	ITCOT	Consultancy services	12.50
14.	ILD	Training, consultancy and research	Contributed to corpus
15.	KITCO	Consultancy services	20.26
16.	MDI	Providing education and training in the field of management	Contributed to corpus
17.	MPCON	Consultancy services	79.72
18.	NSIPL*	Lending against shares	100.00
19.	NITCON	Consultancy services	48.75
20.	RGVN	Enhancing poor people's livelihood, building	Contributed to corpus

S. No.	Name	Brief description of business	Percentage shareholding of our Promoter
		grass-roots based institutions	
21.	UPICO	Consultancy in the field of industries, management and finance	13.44

\* Holding through IFIN

\*\* Holding through IIDL

# Including holding of 3.73% through IFCI Venture

### Disassociation by Our Promoter in the Preceding Three Years

Our Promoter has not disassociated itself as a promoter from any company in the preceding three years.

### Common Pursuits

Except for NSIPL, TFCI and NEDFI, which are engaged in the business of lending and/or providing financial assistance, none of our Group Entities are engaged in pursuits common with those of our Company.

### Payment or Benefit to Promoter and Group Entities

Except as stated above in “*Interest of our Promoter*” below and “*Financial Statements – Annexure 10*” on page 123, there has been no payment of benefits to our Promoter and Group Entities during fiscal 2011 and 2010, nor is any benefit proposed to be paid to them as on the date of this Draft Red Herring Prospectus.

### Other Confirmations

Our Promoter, directors of our Promoter, directors of our Group Entities and Group Entities have confirmed that they have not been declared as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them.

For more information on legal proceedings involving our Promoter and Group Entities, see “*Outstanding Litigation and Material Developments*” on page 158.

Neither our Promoter nor any of our Group Entities have become sick companies under the Sick Industrial Companies (Special Provisions) Act, 1985 and no winding up proceedings have been initiated against them except as disclosed in “*Outstanding Litigation and Material Developments*” on page 158. Further, no application has been made, in respect of any of them, to the respective registrar of companies where they are situated, for striking off their names. Additionally, neither our Promoter, nor any of our Group Entities have become defunct in the five years preceding the date of filing this Draft Red Herring Prospectus.

None of our Group Entities have any business or other interest in our Company except for business conducted on an arms’ length basis. Further, our Company does not have any sales/purchase arising out of any transaction with any Group Entity exceeding aggregate 10% of total sales or purchase of our Company.



## DIVIDEND POLICY

The declaration and payment of dividends, if any, will be recommended by our Board of Directors and approved by our shareholders, at their discretion, subject to the provisions of the Articles of Association and the Companies Act. The dividends, if any, will depend on a number of factors, including but not limited to our profits, capital requirements, contractual requirements, restrictive covenants under our loan and financing arrangements and overall financial position of the Company. The Company has no formal dividend policy. Our Board of Directors may also, from time to time, pay interim dividends.

The dividends declared by the Company during the last five fiscal years have been presented below:

Particulars	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
Face value per Equity Share (₹)	10	10	10	10	10
Dividend Paid (₹ in million)*	55.55	Nil	Nil	Nil	6.00
Rate of Dividend (%)	7.00%	Nil	Nil	Nil	3.00%

*\*Excluding dividend distribution tax*

However, the amounts paid by us as dividends in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future. Future dividends will depend on our revenues, profits, cash flow, financial condition, capital requirements and other factors.

## SECTION V – FINANCIAL INFORMATION FINANCIAL STATEMENTS

### AUDITORS' REPORT

The Board of Directors,  
IFCI Factors Limited  
9th Floor, IFCI Tower,  
61, Nehru Place,  
New Delhi – 110019

Dear Sirs,

We have examined the attached financial information of IFCI Factors Limited (the Company), as approved by the IPO Committee of the Company. The said financial information has been prepared by the Company in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“**SEBI ICDR Regulations**”), issued by the Securities and Exchange Board of India in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 (the SEBI Act) and in terms of our engagement agreed upon with the Company in accordance with our engagement letter dated May 27, 2011 in connection with proposed issue of equity shares. This Restated Financial Information is proposed to be included in the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus (collectively referred to as “offer document”) of the Company.

#### 1. Financial Information as per Audited Financial Statements

We have examined the attached ‘Summary Statement of Assets and Liabilities, as Restated’ of IFCI Factors Limited as at March 31, 2011, 2010, 2009, 2008 and 2007 (Annexure I) and the attached ‘Summary Statement of Profit and Losses, as Restated’ (Annexure II) and ‘Summary Statement of Cash Flows, as Restated’ for the years ended March 31, 2011, 2010, 2009, 2008 and 2007 and together referred to as ‘Restated Summary Statements’. These Restated Summary Statements have been extracted by the management from the financial statements of the Company as at and for the years ended March 31, 2011, 2010, 2009, 2008 and 2007 and have been approved/adopted by the Board of Directors/Members for those respective years.

The audit for the financial year ended March 31, 2007 was conducted by Messrs S.C.Varma & Co. (“SCV” “the Erstwhile Auditor”) and our opinion in so far as it relates to the amounts included in respect of that year is based solely on the report submitted by them. Accordingly reliance has been placed on the financial information examined by them for the said year after conducting such additional procedures as deemed appropriate by us for the purpose of expressing our opinion on the restated financial statements. The financial statements as at and for the years ended March 31, 2011, 2010, 2009 and 2008 have been audited by us. Based on our examination of these summary statements, we state that:

- i The ‘Restated Summary Statements’ have to be read in conjunction with the notes given in Annexure 5 A to this report.
- ii Adjustments have been made for the changes in accounting policies retrospectively in respect of financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods
- iii The ‘Restated Summary Statements’ are after making adjustments and regroupings as in our opinion were appropriate in the year/period to which they relate.
- iv There are no extra ordinary items that need to be disclosed separately in the Restated Summary Statements.
- v There are no qualifications in the auditors’ report on the financial statements that require adjustments to the Restated Summary Statements.

#### 2. Other Financial Information

We have examined the following information relating to IFCI Factors Limited as at and for the years ended March 31, 2011, 2010, 2009, 2008 and 2007 of the Company, proposed to be included in the Offer Document, as approved by the Board of Directors of the Company and annexed to this report:

- i. Details of Secured Loans as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 4A)
  - ii. Details of Unsecured Loans as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 4B)
  - iii. Other details of Secured/Unsecured Loans as at March 31, 2011 (Annexure 4C)
  - iv. Details of Investments as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 4D)
  - v. Details of Sundry Debtors as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 4E)
  - vi. Details of Loans & Advances as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 4F)
  - vii. Details of Current liabilities as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 4G)
  - viii. Details of Provisions as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 4H)
  - ix. Details of Other Income as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 4I)
  - x. Significant Accounting Policies and Notes to the Restated Summary Statements of Assets and Liabilities, Profit and Loss Account and Cash Flow Statement as appearing in Annexure 5, 5A & 5B.
  - xi. Statement of Tax Shelters as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 6)
  - xii. Details of Rates of Dividends paid as at March 31, 2011, 2010, 2009, 2008 and 2007.(Annexure 7)
  - xiii. Details of Accounting Ratios as at March 31, 2011, 2010, 2009, 2008 and 2007. (Annexure 8)
  - xiv. Details of Capitalisation Statement as at March 31, 2011 (Annexure 9)
  - xv. Details of Related Party Information as at March 31, 2011, 2010, 2009, 2008 and 2007. (Annexure 10)
3. Based on our examination of the financial information of the Company attached to this report, we state that in our opinion, the 'Restated Summary Statements' and 'Other Financial Information' mentioned above, as at and for the year ended March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007, have been prepared in accordance with the SEBI ICDR Regulations and the SEBI Act.
  4. This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of Chartered Accountants nor should this be construed as a new opinion on any of the financial statements referred to herein.
  5. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
  6. This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed issue of equity shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For S. N. Dhawan & Co.**  
Chartered Accountants  
Firm Registration No. 000050N

(Suresh Seth)  
Partner  
M.No.010577

Place: New Delhi  
Date: July 12, 2011

**Annexure 1:**  
**RESTATED STATEMENT OF ASSETS AND LIABILITIES**

(Rs. In millions)

	Particulars	As at March 31,				
		2011	2010	2009	2008	2007
<b>A</b>	<b>FIXED ASSETS</b>					
	Gross Block	19.88	21.60	17.04	34.84	32.71
	Less : Accumulated Depreciation / Amortisation	11.98	14.81	13.81	20.70	19.32
	Net Block:	7.90	6.79	3.23	14.14	13.39
	Capital Advances	0.20	0.34	0.25	-	-
	<b>Total</b>	<b>8.10</b>	<b>7.13</b>	<b>3.48</b>	<b>14.14</b>	<b>13.39</b>
<b>B</b>	<b>Deferred Tax Assets (Net)</b>	18.32	8.28	3.04	-	-
<b>C</b>	<b>Investments</b>	180.00	-	-	-	-
<b>D</b>	<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
	Sundry Debtors	7,672.16	3,844.93	1,347.11	286.85	388.38
	Cash and Bank Balances	243.83	16.67	131.98	37.07	10.01
	Loans & Advances	2,615.32	8.11	1.23	4.44	2.56
	<b>Total</b>	<b>10,531.31</b>	<b>3,869.71</b>	<b>1,480.32</b>	<b>328.36</b>	<b>400.95</b>
<b>E</b>	<b>TOTAL ASSETS ( A+B+C+D)</b>	<b>10,737.73</b>	<b>3,885.12</b>	<b>1,486.84</b>	<b>342.50</b>	<b>414.34</b>
<b>F</b>	<b>Deferred Tax Liability (Net)</b>	-	-	-	1.63	1.34
<b>G</b>	<b>LIABILITIES &amp; PROVISIONS</b>					
	<b>LOAN FUNDS</b>					
	Secured Loans	7,077.10	1,919.63	250.00	42.00	-
	Unsecured Loans	500.00	-	-	-	-
	<b>CURRENT LIABILITIES &amp; PROVISIONS</b>					
	Current Liabilities	1,821.40	859.95	251.19	57.24	170.08
	Provisions	113.65	16.08	6.58	1.56	8.86
	<b>TOTAL</b>	<b>9,512.15</b>	<b>2,795.66</b>	<b>507.77</b>	<b>100.80</b>	<b>178.94</b>
<b>H</b>	<b>NET WORTH (E-F-G)</b>	<b>1,225.58</b>	<b>1,089.46</b>	<b>979.07</b>	<b>240.07</b>	<b>234.06</b>
	<b>Represented By:</b>					
	<b>SHARE CAPITAL</b>					
	- Equity Shares	793.58	793.58	793.58	200.00	200.00
	<b>RESERVES &amp; SURPLUS</b>					
	- Share Premium	121.09	121.09	121.09	-	-
	- Statutory Reserve	86.88	46.74	24.66	19.79	18.59
	- General Reserve	3.17	3.17	3.17	3.17	3.17
	- Profit & Loss Account	220.86	124.88	36.57	17.11	12.30
	<b>TOTAL</b>	<b>1,225.58</b>	<b>1,089.46</b>	<b>979.07</b>	<b>240.07</b>	<b>234.06</b>

**Annexure 2:**  
**RESTATED STATEMENT OF PROFITS & LOSS ACCOUNT**

(Rs. In millions)

	Particulars	For the Year Ended March 31,				
		2011	2010	2009	2008	2007
<b>A</b>	<b>INCOME</b>					
	Income from Operations					
	Discount & Service Charges	604.71	281.24	83.62	29.94	26.18
	Application and Administration Charges	78.75	30.22	9.69	1.14	1.08
	Interest Income on Term Loans	115.94	-	-	-	-
	Other Income	1.67	4.93	11.88	1.36	2.48
	<b>Total</b>	<b>801.07</b>	<b>316.39</b>	<b>105.19</b>	<b>32.44</b>	<b>29.74</b>
<b>B</b>	<b>EXPENDITURE</b>					
	Personnel Expenses	36.87	24.73	10.06	7.34	7.65
	Operating, Administration & Other Expenses	34.20	24.52	29.35	8.67	9.24
	Financial Charges	367.73	81.64	22.09	1.99	1.02
	Depreciation	1.81	1.00	1.25	1.38	1.36
	<b>Total</b>	<b>440.61</b>	<b>131.89</b>	<b>62.75</b>	<b>19.38</b>	<b>19.27</b>
<b>C</b>	<b>Profit before Provisions/ Write off</b>	<b>360.46</b>	<b>184.50</b>	<b>42.44</b>	<b>13.06</b>	<b>10.47</b>
	Bad Debt Written off (net of provisions)	25.21	-	-	4.06	-
	Provisions:					
	- Standard Assets	27.58	14.70	-	-	-
	- Bad & Doubtful Debts	4.84	7.80	-	-	-
<b>D</b>	<b>Profit before Tax and extraordinary items</b>	<b>302.83</b>	<b>162.00</b>	<b>42.44</b>	<b>9.00</b>	<b>10.47</b>
<b>E</b>	<b>Provision for Tax</b>					
	- Current Tax	110.67	64.41	17.62	2.91	3.63
	- Deferred Tax	(8.85)	(8.33)	(3.10)	0.18	(0.12)
	- Fringe Benefit Tax	-	-	0.11	0.10	0.10
<b>F</b>	<b>Net Profit after Tax but before extraordinary items</b>	<b>201.01</b>	<b>105.92</b>	<b>27.81</b>	<b>5.81</b>	<b>6.86</b>
	Less: Extraordinary items	-	-	-	-	-
<b>G</b>	<b>Net Profit after Tax as per the audited Financial Statements</b>	<b>201.01</b>	<b>105.92</b>	<b>27.81</b>	<b>5.81</b>	<b>6.86</b>
	<b>Adjustment for change in Accounting Policies</b>					
	- Employee Benefits	-	-	(0.19)	0.40	(0.10)
	- Provision on Standard Assets	-	5.58	(4.42)	(0.07)	0.45
	<b>Adjustment for Prior-Period items</b>					
	- Adjustment of short/ (excess) provision of income tax	(1.52)	1.98	(0.44)	(0.02)	-
	Deferred Tax impact on above adjustment	1.19	(3.09)	1.57	(0.11)	(0.12)
<b>H</b>	<b>Net Profit after Tax as restated</b>	<b>200.68</b>	<b>110.39</b>	<b>24.33</b>	<b>6.01</b>	<b>7.09</b>
<b>I</b>	<b>Balance brought forward from previous year</b>	<b>124.88</b>	<b>36.57</b>	<b>17.11</b>	<b>12.30</b>	<b>14.16</b>
<b>J</b>	<b>Profit available for Appropriation</b>	<b>325.56</b>	<b>146.96</b>	<b>41.44</b>	<b>18.31</b>	<b>21.25</b>
	Less: Transfer to Statutory Reserve Fund	40.14	22.08	4.87	1.20	1.42
	Less: Transfer to General Reserves	-	-	-	-	0.69
	Less: Dividends	55.55	-	-	-	6.00
	Less: Tax on Dividends	9.01	-	-	-	0.84
<b>K</b>	<b>Balance carried to Balance Sheet</b>	<b>220.86</b>	<b>124.88</b>	<b>36.57</b>	<b>17.11</b>	<b>12.30</b>

**Annexure 3:**  
**RESTATED STATEMENT OF CASH FLOW**

*(Rs. In millions)*

	Particulars	For the Year Ended March 31,				
		2011	2010	2009	2008	2007
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
	Net Profit before Tax as restated	302.83	162.00	42.25	9.40	10.37
	Add /(Less) :					
	Adjustments for					
	Depreciation/Amortisation	1.81	1.00	1.25	1.38	1.36
	Unclaimed Balances Written Back	-	(0.42)	(0.13)	-	-
	Bad Debts	25.21	-	-	4.06	-
	Contingent Provisions against Standard Assets	27.58	14.70	-	-	-
	Provision for Bad and Doubtful Debts	4.84	7.80	-	-	-
	Provision for Gratuity	0.09	0.26	0.02	(0.11)	(0.11)
	Provision for Leave Encashment	0.30	0.70	-	(0.42)	(0.03)
	Foreign Exchange Loss	-	0.44	-	-	-
	Income From Mutual Fund	(0.18)	(0.95)	-	-	-
	Expenses Related to Issuance of Share Capital	3.25	-	4.88	-	-
	(Profit)/ Loss on Sale of Assets	-	-	10.60	-	(0.05)
	Amounts written off	-	-	0.66	-	-
	Operating Profit before Working Capital changes	365.73	185.53	59.53	14.31	11.54
	Adjustments for Working Capital changes :					
	- Increase/ (Decrease) in Borrowings	5,157.47	1,669.19	208.00	42.00	(78.55)
	- (Increase)/ Decrease in Sundry Debtors	(3,857.28)	(2,505.62)	(1,060.92)	97.47	117.88
	- Increase/ (Decrease) Sundry Creditors	961.46	609.18	194.25	(112.86)	(29.93)
	- (Increase)/ Decrease Loans and Advances	(2,614.39)	0.30	1.58	(1.66)	2.32
	<b>Cash generated from Operations</b>	12.99	(41.42)	(597.56)	39.26	23.26
	- Direct Tax Paid	(99.97)	(70.19)	(15.96)	(3.25)	(5.48)
	<b>NET CASH INFLOW/ (USED) IN OPERATING ACTIVITIES</b>	<b>(86.98)</b>	<b>(111.61)</b>	<b>(613.52)</b>	<b>36.01</b>	<b>17.78</b>
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
	- Purchase of Fixed Assets	(2.79)	(4.65)	(1.79)	(2.13)	(0.19)
	- Sale of Fixed Assets	-	-	0.60	-	0.18
	- Investment in Mutual Funds	(180.00)	-	-	-	-
	- Income From Mutual Fund	0.18	0.95	-	-	-
	<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(182.61)</b>	<b>(3.70)</b>	<b>(1.19)</b>	<b>(2.13)</b>	<b>(0.01)</b>
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
	- Proceeds from Issuance of Equity Share Capital	-	-	714.67	-	-
	- Dividend Paid	-	-	(0.17)	(6.82)	(11.10)
	- Subordinate Debts Raised	500.00	-	-	-	-
	- Expenses Related to Issuance of Share Capital	(3.25)	-	(4.88)	-	-
	<b>NET CASH INFLOW/ (USED) IN FINANCING ACTIVITIES</b>	<b>496.75</b>	<b>-</b>	<b>709.62</b>	<b>(6.82)</b>	<b>(11.10)</b>
	<b>NET CASH AND CASH EQUIVALENTS INFLOW/(USED)</b>	<b>227.16</b>	<b>(115.31)</b>	<b>94.91</b>	<b>27.06</b>	<b>6.67</b>
	<b>CASH AND CASH EQUIVALENTS (OPENING BALANCE)</b>	<b>16.67</b>	<b>131.98</b>	<b>37.07</b>	<b>10.01</b>	<b>3.34</b>
	<b>CASH AND CASH EQUIVALENTS (CLOSING BALANCE)</b>	<b>243.83</b>	<b>16.67</b>	<b>131.98</b>	<b>37.07</b>	<b>10.01</b>

**Annexure 4 A :**  
**RESTATED DETAILS OF SECURED LOAN**

*(Rs. In millions)*

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
<b>Term Loans</b>					
- From Banks	4,316.25	709.72	-	42.00	-
- From Others	2,000.00	950.00	250.00	-	-
- Interest Accrued & Due	8.68	-	-	-	-
<b>Cash Credit</b>					
- Working Capital	752.17	259.91	-	-	-
<b>TOTAL</b>	<b>7,077.10</b>	<b>1,919.63</b>	<b>250.00</b>	<b>42.00</b>	<b>-</b>

**Annexure 4 B:**  
**RESTATED DETAILS OF UNSECURED LOAN**

*(Rs. In millions)*

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Subordinate Debt	500.00	-	-	-	-
<b>TOTAL</b>	<b>500.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Annexure 4 C**  
**OTHER RESTATED DETAILS OF SECURED/ UNSECURED LOAN**

*(Rs. In millions)*

Lender	Loan Documentation	Loan Amount Sanctioned	Loan amount outstanding as at (As at March 31, 2011) (Refer note - 3)	Interest Rate P.A. (As at March 31, 2011)	Due Date of Repayment	Security	Details of Reschedulement / Prepayment/ Penalty/ Default, if any
<b><u>Secured Loan</u></b>							
IFCI Ltd. - Term Loan	10-Jun-08	250.00	250.00	10.50%	10-Jun-11	Secured by charges on receivables / book debts	Nil
IFCI Ltd. - Term Loan	28-Sep-10	500.00	500.00	10.50%	27-Sep-13	Secured by pari-passu charges on :- a) Receivables other than factored debts, and b) Factored Debts only to the extent of shortfall in security referred in (a)	Nil
IFCI Ltd. - Term Loan	3-Aug-10	1,000.00	1,000.00	10.50%	28-Sep-13	Secured by pari-passu charges on :- a) Receivables other than factored debts, and b) Factored Debts only to the extent of shortfall in security referred in (a)	Nil



IFCI Ltd. - Term Loan	20-Apr-11	1,000.00	-	12.00%	Repayable after 3 years from date of first disbursement	Secured by charges on receivables / book debts	Nil
IFCI Ltd.	3-Mar-11	1,500.00	250.00	11.00%	30-Jan-14	Secured by charges on receivables / book debts	Nil
Dena Bank - Term Loan	27-Sep-10	900.00	900.00	10.00%	28-Sep-11	Secured by Pari-Passu charges on factored debts of the company	Nil
Dena Bank - Cash Credit	27-Sep-10	300.00	26.74	10.50%	23-Sep-11	Secured by Pari-Passu charges on factored debts of the company	Nil
Canara bank - Term Loan	21-Mar-11	500.00	500.00	Base Rate + 2% = 11.50%	See Note 1	Secured by Pari-Passu charges on receivables other than factored debts	Nil
Canara bank - WCDL	21-Mar-11	1,600.00	1,250.00	Base Rate + 1.50% = 11%	6-Mar-12	Secured by Pari-Passu charges on factored debts of the company	Nil
Canara Bank - Cash Credit	21-Mar-11	400.00	725.36	Base Rate + 2% = 11.50%	6-Mar-12	Secured by Pari-Passu charges on factored debts of the company	Nil
China Trust Commercial bank - WCDL	23-Mar-10	60.00	60.00	10.50%	24-Jun-11	Secured by Pari-Passu charges on factored debts of the company	Nil
Indusind Bank - Term Loan	29-Sep-10	250.00	166.25	Base Rate + 2.24% = 10.15% (6 Month Reset)	See Note 2	Secured by Pari-Passu charges on factored debts of the company	Nil
Indusind Bank - WCDL / CC	29-Sep-10	250.00	240.00	11.00%	15-Sep-11	Secured by Pari-Passu charges on factored debts of the company	Nil
Axis Bank - WCDL	30-Dec-10	450.00	454.20	Base Rate + 2.25% = 11.25%	Rs 200 on 28-Oct-2011, Rs 100 on 30-Dec-2011 & Rs 150 on 23-Jan-12	Secured by Pari-Passu charges on factored debts of the company	Nil
Axis Bank - WCDL	15-Mar-11	500.00	502.24	Base Rate + 1.75% = 10.75%	15-Mar-12	Secured by way of Exclusive charge on factored receivables under SME category	Nil
Axis Bank - Cash Credit	30-Dec-10	50.00	0.07	Base Rate + 2.25% = 11.25%	30-Dec-11	Secured by Pari-Passu charges on factored debts of the Company	Nil
Oriental Bank of Commerce - Term Loan	10-Dec-10	250.00	252.24	10.50%	23-Dec-11	Secured by Pari-Passu charges on factored debts of the Company	Nil
<b>Unsecured Loans</b>							
IFCI Ltd (Subordinate Debt)	1-Feb-11	500.00	500.00	11.00%	31-Jan-18	N.A.	Nil

**Note 1:- Repayment Schedule of Canara Bank**

Date	Amount (Rs. in millions)
21-May-11	30.00
21-Aug-11	30.00
21-Nov-11	30.00
21-Feb-12	30.00
21-May-12	40.00
21-Aug-12	40.00
21-Nov-12	40.00
21-Feb-13	40.00
21-May-13	70.00
21-Aug-13	70.00
21-Nov-13	80.00
<b>Total</b>	<b>500.00</b>

**Note 2 :- Repayment Schedule of Indusind Bank**

Date	Amount (Rs. in millions)
14-Jun-11	23.75
14-Sep-11	23.75
14-Dec-11	23.75
14-Mar-12	23.75
14-Jun-12	23.75
14-Sep-12	23.75
14-Dec-12	23.75
<b>Total</b>	<b>166.25</b>

**Note 3:-** Including Interest Accrued and due as at March 31, 2011

**Annexure 4 D:  
RESTATED DETAILS OF INVESTMENT**

	As at March 31st										(Rs. In millions)
	2011		2010		2009		2008		2007		
	Nos.	Book Value (Rs.)	Nos.	Book Value (Rs.)	Nos.	Book Value (Rs.)	Nos.	Book Value (Rs.)	Nos.	Book Value (Rs.)	
<b><u>Current Investments</u></b>											
<b>In Mutual Fund Units : - Unquoted</b>											
UTI Treasury Advantage Fund - Institutional Plan (Growth) (Face Value Rs 1000)	136,337	180.00	-	-	-	-	-	-	-	-	
		180.00		-		-		-		-	
<b>Break - up :</b>											
Quoted Investments		-		-		-		-		-	
Unquoted Investments		180.00		-		-		-		-	
		180.00		-		-		-		-	
<b>Market Value of Quoted Investments</b>		-		-		-		-		-	
		-		-		-		-		-	

**Annexure 4 E:**  
**RESTATED DETAILS OF SUNDRY DEBTORS**

*(Rs. In millions)*

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Debts Outstanding for a period exceeding six months	534.95	593.15	56.30	-	4.06
Other debts	7,148.40	3,259.58	1,290.81	286.85	384.32
Provision for Doubtful Debts	(11.19)	(7.80)	-	-	-
<b>TOTAL</b>	<b>7,672.16</b>	<b>3,844.93</b>	<b>1,347.11</b>	<b>286.85</b>	<b>388.38</b>
<b>Out of above</b>					
Considered Good					
- Secured	542.87	201.47	10.37	-	-
- Unsecured	7,028.57	3,573.27	1,336.74	286.85	388.38
Considered Doubtful	111.91	77.98	-	-	-
<b>Note:-</b> There are no debtors related to directors, promoters, group companies, or any other related party.					

**Annexure 4 F:**  
**RESTATED DETAILS OF LOANS & ADVANCES**

*(Rs. In millions)*

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Term Loans (Secured)	2,613.46	-	-	-	-
Advances recoverable in cash or in kind or for value to be received	1.86	0.93	0.99	2.81	1.15
Advance to Director against foreign travelling	-	-	0.24	-	-
Advance Tax including Fringe Benefit Tax & Tax Deducted at Sources (net)	-	7.18	-	1.63	1.41
<b>TOTAL</b>	<b>2,615.32</b>	<b>8.11</b>	<b>1.23</b>	<b>4.44</b>	<b>2.56</b>
<b>Note:-</b> There is no amount due from directors, promoters, group companies, or any other related party except as stated above.					

**Annexure 4 G:**  
**RESTATED DETAILS OF CURRENT LIABILITIES**

*(Rs. In millions)*

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Contractual Liability against Sundry Debtors Collection	1,728.17	825.24	231.06	55.51	169.48
Sundry Creditors	8.42	4.26	1.06	0.81	0.11
Other Liabilities	0.74	1.54	3.07	0.22	0.30
Income Received in Advance	22.82	11.58	10.49	0.49	-
Interest accrued but not due	61.21	17.29	5.47	-	-
Unpaid Dividends	0.04	0.04	0.04	0.21	0.19
<b>TOTAL</b>	<b>1,821.40</b>	<b>859.95</b>	<b>251.19</b>	<b>57.24</b>	<b>170.08</b>

**Annexure 4 H:**  
**RESTATED DETAILS OF PROVISIONS**

*(Rs. In millions)*

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Leave Encashment	1.18	0.88	0.18	0.18	0.60
Gratuity	0.59	0.50	0.24	0.22	0.33
Taxation (net)	5.04	-	0.58	-	-
Contingent Provision against Standard Assets	42.28	14.70	5.58	1.16	1.09
Proposed Dividend	55.55	-	-	-	6.00
Corporate Dividend Tax	9.01	-	-	-	0.84
<b>TOTAL</b>	<b>113.65</b>	<b>16.08</b>	<b>6.58</b>	<b>1.56</b>	<b>8.86</b>

**Annexure 4 I:**  
**RESTATED DETAILS OF OTHER INCOME**

*(Rs. In millions)*

Particulars	For the Year ended March 31,				
	2011	2010	2009	2008	2007
<b>RECURRING</b>					
Consultancy Charges	0.25	2.50	-	-	-
Interest Income	-	0.51	9.11	0.84	2.42
Income from Mutual Funds	0.18	0.95	-	-	-
Bad Debts recovered	-	-	0.24	0.20	-
<b>NONRECURRING</b>					
Exchange Fluctuation (net)	0.85	-	2.38	0.32	-
Liabilities/ Provision no Longer Required Written Back	-	0.42	0.13	-	-
Miscellaneous	0.39	0.55	0.02	-	0.06
<b>Total Other Income</b>	<b>1.67</b>	<b>4.93</b>	<b>11.88</b>	<b>1.36</b>	<b>2.48</b>
<b>Profit Before Tax as per Annexure - 2</b>	<b>302.83</b>	<b>162.00</b>	<b>42.44</b>	<b>9.00</b>	<b>10.47</b>
<b>% of Net Profit Before Tax</b>	<b>0.55%</b>	<b>3.04%</b>	<b>27.99%</b>	<b>15.11%</b>	<b>23.69%</b>

**Note:-**

The other income as mentioned above is on account of ordinary business activities.

## **Annexure 5 : SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements have been prepared on a Going Concern basis, on historical cost convention, applicable Accounting Standards referred to in Section 211 ( 3C ) of the Companies Act, 1956 which have been notified by the Companies ( Accounting Standards ) Rules, 2006 and the provisions of Companies Act, 1956 and after taking into account the applicable guidelines issued by the Reserve Bank of India to Non Banking Financial Companies from time to time and in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

### **2. Use of Estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities as of the balance sheet date. The estimates and assumptions used in the accompanying financial statements are based on the management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results may differ from the estimates and assumptions and any revision to accounting estimates is recognised in the period in which they actually materialise.

### **3. Revenue Recognition (Accounting Standard - 9)**

Income from factoring and other financing activities is accounted on accrual basis except in the case of non-performing assets where income is accounted on realisation as per prudential guidelines laid down by Reserve Bank of India (RBI).

### **4. Classification of Assets and Provisioning**

i) All credit exposures are classified into performing and non-performing assets (NPAs) as per guidelines laid down by the Reserve Bank of India (RBI). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

ii) Provisions on NPAs are made as per guidelines laid down by Reserve Bank of India. Additional provisions are made against specific assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

iii) Provisions on standard assets are made @ 0.50%.

### **5. Fixed Assets, Depreciation & Amortization (Accounting Standard - 6, 10 & 26)**

#### **(i) Tangible**

Fixed Assets are stated at cost, less accumulated depreciation and impairment. Depreciation has been provided on the basis of straight line method as per Schedule XIV to the Companies Act, 1956. Assets having individual value of Rs. 5,000 or less are fully depreciated in the year of acquisition.

#### **(ii) Intangible**

In accordance with Accounting Standard-26, Intangible Assets are valued at cost less accumulated amortization and any impairment losses. Expenditure on major software products is written off over a period of five years on straight line.

### **6. Impairment of assets (Accounting Standard - 28)**

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the impairment loss is recognised in the Profit and Loss Account. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

### **7. Factored Debts**

Debts purchased are shown as Sundry Debtors. The unpaid balance of the price of debts factored and due to the clients on collection is included under the Current liabilities as "Contractual Liability against Sundry Debtors Collection".

### **8. Foreign Currency Transactions (Accounting Standard - 11)**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transactions. Gains/losses arising out of fluctuation in exchange rates on settlement are recognised in the Profit & Loss account. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year end and gains/losses on translation are provided for in the profit and loss account. Premium/discount on hedging transactions is spread over the period to which it relates.

## 9. Investments (Accounting Standard - 13)

Investments are classified into current investments and long-term investments.

### a) Long-term investments:

Long-term investments are stated at cost. A provision is made for diminution other than temporary on an individual basis.

### b) Current investments:

Current Investments are stated at the lower of cost or market value.

## 10. Taxation (Accounting Standard - 22)

a) Current Tax Liability is determined and provided as the amount of tax payable in respect of taxable income for the year.

b) Deferred Tax is recognised, subject to the 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 subsequent periods. Deferred Tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred Tax assets are recognised if there is virtual certainty that sufficient future taxable income will be available against which such Deferred Tax assets can be realised. Deferred taxes are reviewed for the carrying values at each balance sheet date.

## 11. Employee Benefits (Accounting Standard - 15)

### a) Defined Contribution Plan

Employee benefits in the form of contribution towards Provident Fund and Family Pension Schemes are considered as defined contribution plan and the contributions are charged to the Profit and Loss Account of the year when the contribution to the respective funds are due.

### b) Defined Benefit Plan

Retirement benefits in the form of Gratuity is considered as defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

### c) Other Long Term Benefits

Long term compensated absences are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

Actuarial gains/losses are immediately taken to Profit and Loss Account.

## 12. Leases (Accounting Standard - 19)

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on straight line basis over the lease term.

## 13. Provisions, Contingent Liabilities and Contingent Assets (Accounting Standard - 29)

a) Provisions are recognized for liabilities that can be measured only using a substantial degree of estimation, if :

- (i) the Company has a present obligation as a result of past event.
- (ii) a probable outflow of resources is expected to settle the obligation and
- (iii) the amount of obligation can be reliably estimated.

Reimbursements expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

b) Contingent liability is disclosed in the case of:

- (i) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.
- (ii) a possible obligation, unless the probability of outflow of resources is remote.

Provisions, Contingent Liabilities are reviewed by the management at each Balance Sheet date.

c) Contingent assets are neither recognised nor disclosed.

## 14. Earnings per share (Accounting Standard - 20)

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit or losses for the year attributable to equity shareholders and average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

## Annexure 5A

### NOTES TO ADJUSTMENTS CARRIED OUT IN THE STATEMENT OF PROFIT & LOSS AND STATEMENT OF ASSETS AND LIABILITIES

#### 1. Provision on Standard Assets

During the financial year ended 2009-10 the Company has adopted a policy of maintaining 0.50% provision on standard assets. The restatement of financial statements for the years 2006-07, 2007-08 and 2008-09 have also been made on the basis of new provision policy as prescribed for subsequent years. The Summary Statement of Profit & Losses and Statement of Assets and Liabilities, as restated has been adjusted for respective years in respect of excess / short provisions made on account of Standard Assets and effect for the F.Y. 2005-06 & before has been adjusted with opening Profit and Loss and Provision for Standard Assets of F.Y. 2006-07.

#### 2. Appropriation to Statutory Reserve Fund (U/s 45-IC of the Reserve Bank of India Act, 1934)

During the financial year ended 2008-09 the Company has created a Statutory Reserve Fund and appropriated therein 20% of its net profit earned till 2007-08 and also started appropriation of 20% of its net profit for each year therein. The restatement of financial statements for the years 2006-07 and 2007-08 have also been made considering the appropriation of profit of each respective year. The Summary Statement of Profit & Losses and Statement of Assets and Liabilities, as restated has been adjusted for respective years on account of appropriation of profit towards Statutory Reserve Fund and effect for the F.Y. 2005-06 & before has been adjusted with opening Profit and Loss and Statutory Reserve Fund of F.Y. 2006-07. Adjustment has no impact on the net profit and total balance of reserves.

#### 3. Change in accounting policy for accounting of "Employee Benefits"

The Company has provided Gratuity & Leave liabilities with effect from 1st April, 2008 as per Actuarial Valuation on the basis of Accounting Standard 15 (Revised) - "Employee Benefits" as against the past practice of providing the same on the basis of accrual. The restatement of financial statements for the years 2006-07 and 2007-08 have also been made considering the liability as per Accounting Standard 15 (Revised). The Summary Statement of Profit & Losses and Statement of Assets and Liabilities, as restated has been adjusted for respective years in respect of excess / short provisions made on account of Gratuity and Leave Liability and effect for the F.Y. 2005-06 & before has been adjusted with opening Profit and Loss and Provision of Gratuity and Leave of F.Y. 2006-07.

**Table reflecting reconciliation of audited Reserves & Surplus with restated Reserves & Surplus.**

(Rs. In millions)

Particulars	For the year ended 31 <sup>st</sup> March				
	2011	2010	2009	2008	2007
<b>Reserves &amp; Surplus as per audited financial statements</b>	432.00	295.55	189.63	40.73	34.92
Adjustment of amount of provision recognised in FY 2009-10, on account of adoption of new accounting policy of making provision on standard assets @ 0.50% of outstanding fund in use, to the respective financial year.	-	-	(5.58)	(1.16)	(1.09)
Adjustment for change in accounting policy for valuation of Leave and Gratuity Liability as per Revised AS-15.	-	-	-	0.19	(0.21)
Tax adjustment of earlier years	-	1.52	(0.46)	(0.02)	-
Deferred Tax impact on above adjustments	-	(1.19)	1.90	0.33	0.44
<b>Reserves &amp; Surplus as per restated financial statements</b>	432.00	295.88	185.49	40.07	34.06



## Annexure 5B

### OTHER NOTES TO ACCOUNTS

#### 1. Contingent Liabilities

(Rs. In millions)

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Income Tax Demand against the Company relating to assessment years 2002-03, 2004-05 & 2007-08 which is being contested by the Company at CIT (A) / ITAT forum and final decision is pending.	2.78	2.78	2.61	2.61	2.24

- In the opinion of the Board of Directors, current assets, loans and advances are expected to realize in the ordinary course of business value at least equal to the amount at which they are stated in the Balance Sheet.
- The Company has not received information from vendors regarding their status under "The Micro Small and Medium Enterprises Development Act, 2006" and hence disclosure related to amounts unpaid as at the year end together with interest paid/payable under this Act has not been given.
- Letters seeking confirmation of outstanding balances of Debtors and Loans and Advances have been sent to all the borrowers except cases under litigation. Confirmation in some cases is awaited. In some of the cases where agencies have informed different balances, reconciliation is underway.

#### 5. Deferred Tax

The Deferred Tax Assets/ (Liabilities) comprise of the following:

(Rs. In millions)

Deferred Tax Assets/ (Liability)	As at March 31,				
	2011	2010	2009	2008	2007
Leave Encashment	0.38	0.30	0.06	0.06	0.20
Gratuity	0.19	0.17	0.08	0.08	0.11
Provisions for Bad & Doubtful Debts	3.63	2.65	-	-	-
Provisions for Standard Assets	13.72	5.00	1.90	0.39	0.37
Disallowance under Section 35 D	1.69	0.99	1.33	-	-
Depreciation	(1.29)	(0.83)	(0.33)	(2.16)	(2.02)
<b>Deferred Tax Assets / (Liabilities) (Net)</b>	<b>18.32</b>	<b>8.28</b>	<b>3.04</b>	<b>(1.63)</b>	<b>(1.34)</b>
<b>Amount (Debited)/ Credited to Profit &amp; Loss Account</b>	<b>10.04</b>	<b>5.24</b>	<b>4.67</b>	<b>(0.29)</b>	<b>(0.04)</b>

- The computation of profits under Section 349 of the Companies Act, 1956 has not been given as no commission is payable to Directors.

#### Payments made to Managing Director:-

(Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
Salary & Other Benefits	4.90	3.51	1.55	-	0.92

#### 7. Auditors Remuneration:

(Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
i) Audit Fee	0.23	0.15	0.06	0.06	0.06
ii) Tax Audit Fee	0.03	0.03	0.03	0.03	0.03
iii) In Other Capacity	0.04	0.05	0.02	0.01	0.01
iv) Out of Pocket Expenses	0.01	-	-	-	-
iv) Service Tax	0.03	0.02	0.01	0.01	0.01
<b>Total</b>	<b>0.34</b>	<b>0.25</b>	<b>0.12</b>	<b>0.11</b>	<b>0.11</b>

8. **Category wise quantitative data about Derivative Instruments:**

(Rs. In millions)

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Currency swap					
Amount in USD	-	5.50	-	-	-
Amount in INR	-	249.28	-	-	-

Foreign Exchange exposures that are not hedged by derivative instruments or otherwise are as follows:

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Cash & Bank Balances					
EURO	811.96	912.76	912.76	23,714.82	827.43
GBP	-	46.64	46.65	30,699.87	2,339.81
USD	117.80	911.58	911.58	1,145.09	387.94

9. **Capital Commitments**

(Rs. In millions)

Particulars	As at March 31,				
	2011	2010	2009	2008	2007
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.20	2.38	-	-	-

10. **Segmental Information**

Based on the guiding principles given in the Accounting Standard 17 on "Segment Reporting", issued by the Institute of Chartered Accountants of India, the Company's primary business segment is financing. The Company operates in one geographical segment and no further disclosures as per AS-17 are required to be made.

11. **Lease**

Office Premises are on operating lease with tenor upto 12 months and renewable on such terms and conditions as may be mutually agreed between the Company and the Lessor. Lease rentals paid are charged as rent in profit and loss account.

12. **Employees Benefits**

a) **Defined Contribution Plan:**

The Company has recognised the following amount of Contributions toward defined contribution plan as expense in the Profit and Loss Account.

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
Provident Fund	1.07	0.76	0.50	0.42	0.40

b) **Defined Benefit Plan:**

The Company has defined benefit plans in respect of gratuity and leave encashment. Valuation in respect of gratuity and leave encashment has been carried out by an independent actuary, as at the Balance sheet date on Project Unit Credit method.

The following table summarizes the components of net benefit/ expenses recognized in the Profit and Loss Account, the funded status and amounts recognized in the Balance Sheet for the respective plans:

(i) **Principal Assumptions used in determining employment benefits are:**

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Discounting Rate	8.00%	7.00%	7.00%	8.00%	8.00%
b) Future Salary Increase	5.50%	4.50%	4.50%	5.50%	5.50%
c) Retirement age	58 Years				
d) Mortality Rate	LIC (1994-96) duly modified				
e) Ages	Withdrawal rate (%)				
Upto 30 Years	3	3	3	3	3
From 31 to 44 years	2	2	2	2	2
Above 44 years	1	1	1	1	1

(ii) **Changes in the Present Value of Obligation: Gratuity** (Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Present value of obligation as at beginning of the year	0.50	0.24	0.22	0.33	0.43
b) Interest cost	0.04	0.02	0.02	0.03	0.03
c) Past Service cost	-	-	-	-	-
d) Current Service cost	0.21	0.18	0.07	0.07	0.06
e) Benefits paid	(0.15)	-	(0.06)	(0.31)	(0.28)
f) Actuarial (gain)/ loss on obligation	(0.01)	0.06	(0.01)	0.10	0.09
g) Present value of obligation as at end of the year	0.59	0.50	0.24	0.22	0.33

(iii) **Fair Value of Plan assets: Gratuity** (Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Fair Value of Plan Assets as at beginning of the year	-	-	-	-	-
b) Expected return	-	-	-	-	-
c) Past Service cost	-	-	-	-	-
d) Contribution	-	-	-	-	-
e) Benefits paid	-	-	-	-	-
f) Fair Value of Plan Assets as at end of the year	-	-	-	-	-
g) Funded status	0.59	0.50	0.24	0.22	0.33

(iv) **Actuarial gain/loss recognized: Gratuity** (Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Actuarial (gain)/loss for the year-Obligation	(0.01)	0.06	(0.01)	0.10	0.09
b) Actuarial (gain)/loss for the year-Plan assets	-	-	-	-	-
c) Actuarial (gain)/ loss recognised in the year	(0.01)	0.06	(0.01)	0.10	0.09

(v) **Amounts to be recognized in the Balance Sheet: Gratuity** (Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Present value of obligation as at end of the year	0.59	0.50	0.24	0.22	0.33
b) Fair Value of Plan Assets as at end of the year	-	-	-	-	-
c) Funded status	0.59	0.50	0.24	0.22	0.33
d) Net Liability recognized in the Balance Sheet	0.59	0.50	0.24	0.22	0.33

(vi) **Expenses recognized in the Profit and Loss Account: Gratuity** (Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Current Service cost	0.21	0.18	0.07	0.07	0.06
b) Past service cost	-	-	-	-	-
c) Interest cost	0.04	0.02	0.02	0.03	0.03
d) Return on the plan assets	-	-	-	-	-
e) Net Actuarial (gain)/loss recognized in the year	(0.01)	0.06	(0.01)	0.10	0.09
f) Expenses/(Income) recognised in the Profit and Loss Account	0.24	0.26	0.08	0.20	0.18

(vii) **Changes in the Present Value of Obligation: Leave** (Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Present value of obligation as at beginning of the year	0.88	0.18	0.18	0.60	0.63
b) Interest cost	0.07	0.01	0.01	0.05	0.05
c) Past Service cost	-	-	-	-	-
d) Current Service cost	0.58	0.40	0.07	0.08	0.15
e) Benefits paid	(0.56)	(0.25)	(0.15)	(0.28)	(0.14)
f) Actuarial (gain)/ loss on obligation	0.21	0.54	0.07	(0.27)	(0.09)

g) Present value of obligation as at end of the year	1.18	0.88	0.18	0.18	0.60
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(viii) **Fair Value of Plan assets: Leave**

(Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Fair Value of Plan Assets as at beginning of the year	-	-	-	-	-
b) Expected return	-	-	-	-	-
c) Past Service cost	-	-	-	-	-
d) Contribution	-	-	-	-	-
e) Benefits paid	-	-	-	-	-
f) Fair Value of Plan Assets as at end of the year	-	-	-	-	-
g) Funded status	1.18	0.88	0.18	0.18	0.60

(ix) **Actuarial gain/loss recognized: Leave**

(Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Actuarial (gain)/loss for the year-Obligation	0.21	0.54	0.07	(0.27)	(0.09)
b) Actuarial (gain)/loss for the year-Plan assets	-	-	-	-	-
c) Actuarial (gain)/ loss recognised in the year	0.21	0.54	0.07	(0.27)	(0.09)

(x) **Amounts to be recognized in the Balance Sheet: Leave**

(Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Present value of obligation as at end of the year	1.18	0.88	0.18	0.18	0.60
b) Fair Value of Plan Assets as at end of the year	-	-	-	-	-
c) Funded status	1.18	0.88	0.18	0.18	0.60
d) Net Liability recognized in the Balance Sheet	1.18	0.88	0.18	0.18	0.60

(xi) **Expenses recognized in the Profit and Loss Account: Leave**

(Rs. In millions)

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
a) Current Service cost	0.58	0.40	0.07	0.08	0.15
b) Past service cost	-	-	-	-	-
c) Interest cost	0.07	0.01	0.01	0.05	0.05
d) Return on the plan assets	-	-	-	-	-
e) Net Actuarial (gain)/loss recognized in the year	0.21	0.54	0.07	(0.27)	(0.09)
f) Expenses/(Income) recognised in the Profit and Loss Account	0.86	0.95	0.15	(0.14)	0.11

13. Information pursuant to paragraphs 3 & 4 of Part II of Schedule VI of the Companies Act, 1956 to the extent applicable:

(Rs. In millions)

Nature of Transaction	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
<b>Expenditure in Foreign Currency (Paid)</b>					
Membership Fee and Subscription Fee	0.36	0.43	0.40	0.32	0.35
Import Factor Commission	0.05	0.01	0.68	0.38	1.44
Computer Maintenance Charges	-	0.82	0.95	1.24	0.84
Others	0.46	0.42	0.14	0.06	0.97
<b>Earnings in Foreign Currency</b>					
Discounting and Service Charges	1.18	0.30	3.07	1.55	10.40

14. **Details of Investments Purchased and redeemed:**

(Rs. In millions)

Nature of Transaction	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
LIC MF Liquid Fund - Growth Plan	222.50	360	-	-	-
UTI Liquid Cash Plan – IP - Growth Plan	205.00	-	-	-	-
UTI Money Market Mutual Fund – IP - Growth Plan	50.00	115	-	-	-

HDFC Liquid Fund - Premium Plan - Growth	-	524	-	-	-
Canara Rebeco Liquid Fund - Institutional Growth	-	50	-	-	-

**15 Capital to Risk Assets Ratio (CRAR):**

Particular	As at March 31,				
	2011	2010	2009	2008	2007
i) CRAR	20.39%	36.14%	87.59%	97.15%	100.73%
ii) CRAR - Tier I Capital	14.06%	35.65%	87.09%	96.68%	100.26%
iii) CRAR - Tier II Capital	6.33%	0.49%	0.50%	0.47%	0.47%

*(Rs. In millions)*

Particular	As at March 31,				
	2011	2010	2009	2008	2007
Gross Non-Performing Assets					
(a) Related Parties	-	-	-	-	-
(b) Other than Related Parties	111.91	77.98	-	-	-
Net Non-Performing Assets					
(a) Related Parties	-	-	-	-	-
(b) Other than Related Parties	100.72	70.18	-	-	-
Assets acquired in satisfaction of debts	-	-	-	-	-

**Annexure 6:  
STATEMENT OF TAX SHELTERS**

*(Rs. In millions)*

	Particulars	For the Year Ended March 31,				
		2011	2010	2009	2008	2007
<b>A</b>	<b>Profit before Tax, as restated</b>	302.83	167.58	37.83	9.33	10.82
<b>B</b>	<b>Tax Rate</b>	33.22%	33.99%	33.99%	33.99%	33.66%
<b>C</b>	<b>Tax at notional rate on profits</b>	100.59	56.96	12.86	3.17	3.64
<b>D</b>	<b>Less: Permanent Differences</b>					
	Misc. Disallowances	-	(0.01)	(0.56)	(0.02)	-
	<b>Total Permanent Differences</b>	-	<b>(0.01)</b>	<b>(0.56)</b>	<b>(0.02)</b>	-
<b>E</b>	<b>Less: Timing Differences : Allowances / (Disallowances)</b>					
	Difference between Tax & Book Depreciation (net of Unabsorbed depreciation)	1.52	1.46	5.25	0.34	(0.60)
	Provision for Bad & Doubtful Debts	(3.39)	(7.80)	-	-	-
	Provision on Standard Assets	(27.58)	(9.12)	(4.42)	(0.07)	0.45
	Disallowances/ Allowance u/s 35D	(2.28)	0.98	(3.90)	-	-
	Disallowances u/s 43B	(0.30)	(0.70)	-	0.42	0.03
	Provision for Gratuity	(0.09)	(0.26)	(0.02)	0.11	0.10
	Profit/ (Loss) on sale of Fixed Assets	-	-	(10.60)	-	0.06
	<b>Total Timing Differences</b>	<b>(32.12)</b>	<b>(15.44)</b>	<b>(13.69)</b>	<b>0.80</b>	<b>0.04</b>
<b>F</b>	<b>Net Adjustments (D+E)</b>	<b>(32.12)</b>	<b>(15.45)</b>	<b>(14.25)</b>	<b>0.78</b>	<b>0.04</b>
<b>G</b>	<b>Tax Saving Thereon (F*B)</b>	(10.67)	(5.25)	(4.84)	0.27	0.01
<b>H</b>	<b>Taxable Income / (Loss) {A-F}</b>	<b>334.95</b>	<b>183.03</b>	<b>52.08</b>	<b>8.55</b>	<b>10.78</b>
<b>I</b>	<b>Taxation charge based on taxable income (H*B)</b>	<b>111.26</b>	<b>62.21</b>	<b>17.70</b>	<b>2.91</b>	<b>3.63</b>
<b>J</b>	<b>Interest on Income Tax</b>	0.93	0.22	0.36	-	-
<b>K</b>	<b>Tax as per normal provisions (I+J)</b>	<b>112.19</b>	<b>62.43</b>	<b>18.06</b>	<b>2.91</b>	<b>3.63</b>

Note: - The above statement has been prepared based on the tax computations for the respective years. However, the figures for FY 2011 are based on provisional computation of total income prepared by the Company and are subject to any changes that may be considered at the time of final filing of the return of income for the year.

**Annexure 7:**  
**Restated Details of Rates of Dividend Paid by the Company**

*(Rs. In millions)*

Class of Shares	Face Value (Rs/Share)	As at March 31,				
		2011	2010	2009	2008	2007
Equity Share Capital (Issued, Subscribed & Paid up)	10.00	793.58	793.58	793.58	200.00	200.00
Dividend Rate (%)		7.00	0.00	0.00	0.00	3.00
Dividend		55.55	-	-	-	6.00
Tax on Dividend		9.01				0.84
Dividend Tax Rate (%)		16.22	-	-	-	14.03



**Annexure 8:  
Accounting Ratios**

Particulars		For the Year Ended March 31,				
		2011	2010	2009	2008	2007
Net worth as per Annexure 1 (Rs. millions)	<b>A</b>	1,225.58	1,089.46	979.07	240.07	234.06
Net Profit as restated as per Annexure 2 (Rs. millions)	<b>B</b>	200.68	110.39	24.33	6.01	7.09
No. of equity shares outstanding at the end of the period	<b>C</b>	79,357,700	79,357,700	79,357,700	20,000,000	20,000,000
Weighted average number of equity shares outstanding during the period for Basic Earning Per Share	<b>D</b>	79,357,700	79,357,700	38,213,870	20,000,000	20,000,000
Potential Weighted average number of shares outstanding during the period for Dilutive Earning Per Share	<b>E</b>	79,357,700	79,357,700	38,213,870	20,000,000	20,000,000
<b>Adjusted Earnings per Share (Basic) (Rs.)</b>	<b>B/D</b>	<b>2.53</b>	<b>1.39</b>	<b>0.64</b>	<b>0.30</b>	<b>0.35</b>
<b>Adjusted Earnings per Share (Diluted) (Rs.)</b>	<b>B/E</b>	<b>2.53</b>	<b>1.39</b>	<b>0.64</b>	<b>0.30</b>	<b>0.35</b>
<b>Return on Net worth (%)</b>	<b>B/A</b>	<b>16.37%</b>	<b>10.13%</b>	<b>2.49%</b>	<b>2.50%</b>	<b>3.03%</b>
<b>Net Asset value per Share (Rs.)</b>	<b>A/C</b>	<b>15.44</b>	<b>13.73</b>	<b>12.34</b>	<b>12.00</b>	<b>11.70</b>

**Note:**

1. The ratios have been computed as below:

Basic Earnings per share (Rs.)	$\frac{\text{Net profit/(loss) as restated, attributable to equity shareholders}}{\text{Weighted average number of equity share outstanding during the year}}$
Diluted Earnings per share (Rs.)	$\frac{\text{Net profit/(loss) as restated before extraordinary items, attributable to equity shareholders}}{\text{Potential Weighted average number of equity shares outstanding during the year}}$
Return on Net Worth %	$\frac{\text{Net profit/ (loss) after tax, as restated}}{\text{Net worth as restated at the end of the year}}$
Net Assets Value per Equity Share (Rs.)	$\frac{\text{Net Worth}}{\text{Number of equity share outstanding at the end of the year}}$

2. Net worth means Equity Share Capital + Reserves and Surplus.

3. The Figures disclosed above are based on the restated financial statements of the Company.

**Annexure 9:**  
**RESTATED CAPITALIZATION STATEMENT AS AT MARCH 31, 2011**

*(Rs. In millions)*

Particulars	Pre Issue	Post Issue
Long Term Debt	2,701.25	
Short Term Debt	4,875.85	
<b>Total Debt</b>	<b>7,577.10</b>	
Shareholders' Funds		
- Equity Share capital 79,357,700 Equity Shares of Rs 10/- each	793.58	
Reserve & Surplus		
- Share Premium	121.09	
- Statutory Reserve	86.88	
- General Reserve	3.17	
- Profit & Loss A/c	220.86	
<b>Total Shareholders' Funds</b>	<b>1,225.58</b>	
<b>Long term Debts / Shareholder's funds</b>	<b>2.20</b>	
<b>Total Debt / Shareholders' Funds</b>	<b>6.18</b>	

**Note:**

- Short term debts represents debts which are due within twelve months from March 31, 2011 and includes current portion of long term debt.
- Long term debt represents debt other than short term debt, as defined above.
- The figures disclosed above are based on the restated statement of assets and liabilities March 31, 2011.
- Long Term debt / Equity:

Long Term Debt  
Shareholders' Funds
- The corresponding post issue figures are not determinable at this stage pending the completion of the Book Building Process and hence have not been furnished.

**Annexure 10:**  
**List of Related Parties**

Information on Related Parties as required by Accounting Standard - AS 18 "Related Party Disclosures"

I. List of related parties:

**Holding Company**

IFCI Limited

**Fellow Subsidiary Companies**

IFCI Venture Capital Funds Limited

IFCI Infrastructure Development Limited

IFCI Financial Service Limited

MPCON Limited

**Step down Fellow Subsidiaries**

IFCI Commodity Limited

IFIN Credit Limited

Ambitious Realtors Private Limited

Narayan Sriram Investments Private Limited

**Key Managerial Personnel**

Mr. Rakesh Kapoor (Managing Director) (w.e.f. 9-July-2008)

Mr. Vikas Nanda (Managing Director) (upto 22-Sep-2006)

**Significant Influence**

Pawan Builders Limited

**Associate Companies**

Tourism Finance Corporation of India Limited

Assets Care Enterprises Limited

HIMCOM Limited

NITCON Limited

HARDICON Limited

II

Detail of Transaction during the year with Related parties:

*(Rs. In millions)*

Particulars	For the Year Ended March 31,				
	2011	2010	2009	2008	2007
Rent to Holding Company	17.65	15.71	1.33	-	-
Rent to Pawan Builders Limited	-	-	-	3.95	3.58
Loan From Holding Company					
<b>Opening Balance payable</b>	950.00	250.00	-	-	-
Add - Disbursement	3,150.00	1,200.00	400.00	-	-
Less - Repayment	1,600.00	500.00	-	-	-
Transfer to Share Application Money	-	-	150.00	-	-
<b>Closing Balance</b>	2,500.00	950.00	250.00	-	-
Interest to Holding Company					
<b>Opening Balance payable</b>	17.29	5.46	-	-	-
Add - Interest for the year	192.26	65.53	18.94	-	-
Less - Repayment	153.65	53.70	13.48	-	-
<b>Closing Balance</b>	55.90	17.29	5.46	-	-
Assignment of Debts to Holding Company					
Receivable Assigned	459.86	-	-	-	-

Less - Receipt	459.86	-	-	-	-
<b>Closing Balance</b>	-	-	-	-	-
Documentation charges paid to Holding Company	1.00	0.50	-	-	-
Reimbursement of Expenses to Holding Company	0.42	0.04	-	-	-
Reimbursement of Expenses from Holding Company	0.38	-	-	-	-
Managing Directors' Remuneration	4.90	3.51	1.55	-	0.92
Equity Share Issued as Rights to Holding Company	-	-	593.58	-	-
Pledge Charges to IFCI Financial Service Limited	0.69	0.07	-	-	-
Balance payable towards charges / reimbursement (As at year end) to Holding Company	0.47	-	-	-	-

## SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in this Draft Red Herring Prospectus as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 130. Unless otherwise stated, financial information included in this section has been derived from our restated financial statements for fiscal 2011, 2010, 2009, 2008 and 2007 and internally generated statistical data. For further information, see "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation—Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Metrics Impacting our Financial Conditions and Results of Operations" on pages viii and 135, respectively.

### Net Interest Margin Analysis

The following table sets forth, for the periods indicated, the FIU and interest-bearing liabilities together with the related net interest income, Daily Average FIU and Daily Average Interest-Bearing Liabilities, resulting in the presentation of the net interest margin, average cost of funds and average earnings on FIU for each period.

We calculate our FIU as the total amount outstanding against invoices submitted to us for factoring and the total amount outstanding in respect of short-term corporate loans sanctioned by us. FIU will also include discount and service charges (as well as interest charge in the case of our short term corporate loans), in the event they are overdue. The Daily Average FIU is calculated as the aggregate of the daily outstanding FIU for a particular fiscal divided by number of days in such fiscal year. Similarly, we calculate our Daily Average Interest-Bearing Liabilities as the aggregate of the daily outstanding interest-bearing liabilities for a particular fiscal divided by number of days in such fiscal year, our total interest-bearing liabilities being our outstanding borrowings as on a particular date.

Our calculation of Daily Average FIU and Daily Average Interest-Bearing Liabilities may not be comparable to the calculation followed by other financial institutions and banks, which may calculate their average balances based on daily, fortnightly or monthly averages.

We calculate our interest income as the aggregate of interest income on short term corporate loans and discount and service charges and our net interest income as the interest income less the financial charges, which consist of the interest expense and other charges (including funds mobilization charges and other bank charges). Accordingly, we calculate our average earnings on FIU as the interest income to the Daily Average FIU and the net interest margin as the net interest income to Daily Average FIU. The average cost of funds is the ratio of financial charges to Daily Average Interest-Bearing Liabilities.

(₹ in million, except percentages)

	Fiscal		
	2011	2010	2009
<b>FIU<sup>(1)</sup> (as on March 31)</b>	8,568.64	3,027.49	1,116.06
<b>Daily Average FIU</b>	4,702.50	1,786.98	505.01
<b>Financial Charges</b>	367.73	81.64	22.08
<b>Total Interest-Bearing Liabilities (as on March 31)</b>	7,577.10	1,919.63	250.00
<b>Daily Average Interest-Bearing Liabilities</b>	3,592.78	802.96	200.70
<b>Interest Income</b>	720.65	281.24	83.62
<b>Net Interest Income</b>	352.92	199.60	61.54
<b>Net Interest Margin<sup>(2)</sup></b>	7.50%	11.17%	12.19%
<b>Average Earnings on FIU<sup>(3)</sup></b>	15.32%	15.74%	16.56%
<b>Average Cost of Funds<sup>(4)</sup></b>	10.24%	10.17%	11.00%
<b>Spread<sup>(5)</sup></b>	5.09%	5.57%	5.56%
<b>Business per Employee<sup>(6)</sup></b>	225.49	104.40	55.80

- (1) FIU is the total amount outstanding against invoices submitted to us for factoring and the total amount outstanding in respect of short-term corporate loans sanctioned by us. FIU will also include discount and service charges (as well as interest charge in the case of our short term corporate loans), in the event they are overdue
- (2) Net Interest Margin is the Net Interest Income to Daily Average FIU
- (3) Average Earnings on FIU is the Interest Income to Daily Average FIU
- (4) Average Cost of Funds is the Financial Charges to Daily Average Interest-Bearing Liabilities
- (5) Spread is the difference between average earnings on FIU and average cost of funds.
- (6) Business per employee is Fund in use divided by the no. of employee as at the year end

## Financial Ratios And Key Operational Ratios

The following table sets forth, for the periods indicated, the key operational ratios and financial ratios of our Company.

	<i>(₹ in million, except percentages)</i>		
	<b>Fiscal 2011</b>	<b>Fiscal 2010</b>	<b>Fiscal 2009</b>
<b>Net Profit after tax as restated</b>	200.68	110.39	24.33
<b>Profit after tax as a percentage of Daily Average FIU</b>	4.27%	6.18%	4.82%
<b>Total Debt-equity ratio</b>	6.18	1.76	0.26
<b>Net worth<sup>(1)</sup></b>	1,225.58	1,089.46	979.07
<b>CRAR</b>	20.39%	36.14%	87.59%
- Tier I Capital	14.06%	35.65%	87.09%
- Tier II Capital	6.33%	0.49%	0.50%

(1) Net worth is defined as share capital and reserves and surplus.

## Concentration of FIU

Our total exposure to top ten individual clients as on March 31, 2011 was ₹ 1,506.96 million, equaling 17.59% of our total FIU as on March 31, 2011, with our exposure not exceeding 1.80% of our total FIU, in respect of any of our top ten individual clients.

Our total exposure to top ten group clients as on March 31, 2011 was ₹ 2,059.08 million, equaling 24.03% of our total FIU as on March 31, 2011, with our exposure not exceeding 2.92% of our total FIU, in respect of any of our top ten group clients.

The following table sets forth the ten sectors towards which we had the greatest amount of exposures as on March 31, 2011:

	<i>(₹ in million, except percentages)</i>	
<b>Sector</b>	<b>FIU</b>	<b>% of Total FIU as of March 31, 2011</b>
Auto Ancillary	964.38	11.25%
Metal/Steel	762.16	8.89%
Real Estate	700.28	8.17%
Pharmaceuticals	698.78	8.16%
Infrastructure	571.89	6.67%
IT-Software	453.92	5.30%
Textile & Garments	417.87	4.88%
Chemicals	391.18	4.57%
Energy & Power	338.90	3.96%
Electrical/Electrical Ancillary	259.18	3.02%
<b>Total</b>	<b>5,558.54</b>	<b>64.87%</b>

The following table sets forth our city-wise exposures as on March 31, 2011:

	<i>(₹ in million, except percentages)</i>	
<b>City</b>	<b>FIU</b>	<b>% of Total FIU as of March 31, 2011</b>
New Delhi	4,393.96	52.28%
Mumbai	2,207.47	25.76%
Chennai	890.07	10.39%
Ahmedabad	465.84	5.44%
Kolkata	325.69	3.80%
Hyderabad	197.94	2.31%
Bangalore	87.67	1.02%
<b>Total</b>	<b>8,568.64</b>	<b>100.00%</b>

In addition to our exposure to borrowers resulting from our financing arrangements, we may also have exposures to clients, including the ten individual clients and client groups referred to above.

## Classification of Assets

We are an NBFC-ND-SI and are accordingly regulated by various provisions of the RBI. Classification of Assets is guided by the NBFC Prudential Norms issued by the RBI, as per which the classification of various assets is as provided below:

#### *Standard Assets*

A standard asset is the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.

#### *NPAs*

An NPA is generally defined as an asset that is a substandard asset, a doubtful asset or a loss asset and includes:

- an asset in respect of which interest has remained overdue for a period of six months or more;
- a term loan inclusive of unpaid interest, when the installment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
- a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
- a bill which remains overdue for a period of six months or more;
- the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of six months or more;
- any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
- the lease rental and hire purchase installment, which has become overdue for a period of 12 months or more;
- in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes a NPA.

#### *Substandard Assets*

A substandard asset is defined as:

- an asset which has been classified as an NPA for a period not exceeding 18 months; or
- an asset where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

#### *Doubtful Assets*

A doubtful asset is defined as an asset which remains a substandard asset for a period not exceeding 18 months.

#### *Loss Assets*

A loss asset is defined as:

- an asset which has been identified as a loss asset by the NBFC or its internal or external auditor or by the RBI during the inspection of the NBFC, to the extent it is not written off by the NBFC; and
- an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the client.



Loans and advances and any other form of credit are classified as standard assets, sub-standard assets, doubtful assets and loss assets.

The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgradation.

We have adopted NBFC Prudential Norms that provide guidance on aspects of our financial operations including asset classification, provisioning, income recognition, asset concentration and investment limits. In addition, we have adopted norms laid down by our credit policy, reviewed at least annually in order to align it with the macroeconomic and regulatory environment, market conditions and our own organisational needs, strategies and risk appetite. Our credit policy governs prudential exposure limits which may be more stringent than the ones laid down by RBI norms, creation and management of our business segments and product offerings, credit assessment and approval systems, margin and security management, pricing and risk management systems, as well as use of field survey audits. For instance, although the RBI has, at present, prescribed a provisioning requirement of 0.25% on standard assets for NBFC-ND-SIs, considering the unsecured nature and risks involved in the factoring business, under our current credit policy, we have adopted a more conservative provision of 0.50% on the standard assets of our Company.

The following table sets forth, for the periods indicated, information about our NPA portfolio:

Particulars	(Rs .in million, except percentages)		
	As at or for the year ended March 31		
	2011	2010	2009
Opening balance at the beginning of the period	77.98	-	-
Additions during the period	69.31	77.98	-
Less: Reductions during the period on account of recovery	8.73	-	-
Less: Reductions during the period on account of write-offs	26.65	-	-
GNPA <sup>(1)</sup>	111.91	77.98	-
NNPA <sup>(2)</sup>	100.72	70.18	-
GNPA as % of FIU	1.31%	2.58%	-
NNPA as % of Net FIU <sup>(3)</sup>	1.18%	2.32%	-

(1) GNPA indicates our Gross Non-Performing Assets

(2) NNPA is calculated as GNPA net of provision against sub-standard assets

(3) Net FIU is calculated as our FIU net of provision against sub-standard assets

### Key Operational Indicators:

Certain	(`in million, except for percentages)				
	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
FIU	8,568.64	3,027.49	1,116.06	231.34	218.91
Turnover <sup>(1)</sup>	26,834.60	11,640.00	4,023.10	1,670.00	1,325.40
Net Worth	1,225.58	1,089.46	979.07	240.07	234.06
GNPA as % of FIU	1.31%	2.58%	-	-	-
NNPA as % of Net FIU	1.18%	2.32%	-	-	-
GNPA	111.91	77.98	-	-	-
NNPA	100.72	70.18	-	-	-
CRAR	20.39%	36.14%	87.59%	97.15%	100.73%
Return on Net Worth	16.37%	10.13%	2.49%	2.50%	3.03%
NAV per Equity Share	15.44	13.73	12.34	12.00	11.70

<sup>(1)</sup> Turnover includes the total amount of invoices factored by us and the total amount disbursed by us as short term corporate loans, during the relevant fiscal period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with our audited financial statements, as restated, as of and for the years ended March 31, 2011, 2010, 2009, 2008 and 2007 prepared in accordance with the Indian GAAP and the Companies Act, and restated in accordance with the SEBI ICDR Regulations, including the schedules, annexures and notes thereto and the reports thereon, included in “Financial Statements” on page 102. Unless otherwise stated, the financial information used in this section is derived from our audited financial statements, as restated. Our Company does not have any subsidiaries or joint ventures.*

*The Company's fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.*

*This discussion contains forward-looking statements and reflects our management's current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in “Risk Factors” on page xii.*

### Overview

We are a financial services company, providing factoring solutions across various industries. Factoring is a continuing financing arrangement, where a business concern assigns its accounts receivable to a third party such as us called a “factor” at an agreed discount and factoring fee, which typically provides immediate liquidity to finance the operations of the business concern. Our primary business is to provide domestic sales bill factoring, supported by our other factoring products and allied financing services such as our short term corporate loans business.

We believe that we enjoy an early mover advantage in the domestic factoring business in India. Our Company was incorporated as Foremost Factors Limited in December 1995 and changed its name to IFCI Factors Limited in January 2009, pursuant to its acquisition by IFCI in 2008. IFCI, the Promoter of our Company, was established by an Act of Parliament on July 1, 1948. It was corporatised in July 1993 and is presently registered with the RBI as a systemically important NBFC-ND-SI and is a notified PFI under Section 4A of the Companies Act. IFCI is one of India's oldest development financial institutions established after India's independence, providing infrastructure financing, medium and long term project finance mainly to the manufacturing sector, as well as allied corporate advisory services.

Our product offerings are comprised of factoring and variants of factoring related products in accordance with our credit policy, which is tailored to suit the financing requirements of our clients, including SMEs. The products we offer include domestic sales and purchase bill factoring, advance against future receivables, export factoring and bill discounting under letters of credit, supported by our allied financing services such as short term corporate loans. With significant experience in the factoring industry in India and our network of regional marketing representatives, we have built an extensive and diverse client base and expertise across industry sectors and geographies, particularly in the manufacturing sector. As SME clusters are scattered across India with concentration in Tier II and Tier III cities and towns, we have strategically located our representatives in seven locations across India, and are seeking to expand our regional marketing network further. We are also a member of the FCI, which is a global network of factoring companies, whose common aim is to facilitate international trade through factoring and related financial services.

We are regulated by the RBI as an NBFC-ND-SI. We believe that our NBFC-ND-SI classification provides us with significant operational flexibility and enables us to effectively capitalize on available financing opportunities in India. Our primary sources of funds include equity capital, internal resources and borrowings from our Promoter and other lenders. Our borrowings from commercial banks and other financial institutions are typically backed by a letter of comfort authorised by the board of directors of our Promoter. We currently enjoy credit ratings of CARE A (SO) (A (Structured Obligation)) in respect of our long term Rupee borrowings and CARE A1+ (SO) (A One Plus (Structured Obligation)) in respect of our short term Rupee borrowings, from CARE.

### Factors Affecting Results of Operations

Our business, results of operations and financial condition are affected by a number of factors, including the following:

***Availability and cost of funds, interest rates and volatility***

Our cost of funds in fiscal 2011, 2010 and 2009 was 10.24%, 10.17% and 11.00%, respectively and our NIM was 7.50%, 11.17% and 12.19% in fiscal 2011, 2010 and 2009. Our primary sources of funds, other than equity capital and internal resources, include domestic borrowings from our Promoter and other lenders, including term loans, working capital loans and cash credit against hypothecation of receivables. As on March 31, 2011, 32.99% of our outstanding borrowings were from our Promoter on an arm's length basis. Further, 58.21% of total borrowings were from short term commercial loans (tenor up to one year) and 41.79% was from other commercial loans (tenor one to seven years).

Our ability to compete effectively and expand our operations is dependent on our timely access to funds and ability to maintain a low effective cost of funds in the future which may in turn affect our NIMs. In addition, since we are a non deposit-taking NBFC, we have restricted access to funds in comparison to banks and deposit-taking NBFCs. We are also regulated by the RBI in terms of our access to ECBs (specifically, in terms of permitted end-uses, which, do not include raising foreign currency debt for the purpose of working capital and general corporate purposes, among other uses). Recent macroeconomic conditions have also sharply restricted the ability of banks and financial institutions to raise funding and liquidity which in turn has increased our cost of funds.

Movements in short term and long term interest rates have affected and will continue to impact our interest income and interest expense. Interest rates are dynamic and dependent on various factors including market liquidity, competitors' rates, movement of benchmarks such as AAA bond/GSEC yields and RBI policy changes. For example, the State Bank of India's base rate has increased from 8.50% to 9.25% in May 2011 (*Source: State Bank of India Website*).

The primary interest rate-related risks we face are from timing differences in the maturity of our interest earning assets and interest-bearing liabilities. If in an increasing interest rate environment, our liabilities mature prior to our assets and therefore require us to incur additional liabilities at a higher interest rate, and re-pricing risk. For example, where there is an adverse mismatch between the pricing terms of our assets and our liabilities. Although the transaction cycle of our factoring products is significantly lower than the tenor of our borrowings, and all our factoring and sanction documentation typically includes an interest reset clause and permits the withdrawal of any rolling facility at our discretion, we may not be able to pass on increased cost of funds to our clients in all cases.

In addition, our ability to borrow from banks may be restricted under guidelines issued by the RBI imposing restrictions on bank credit to NBFCs. The RBI can also alter any of these policies at any time and can introduce new regulations which could impact our results of operations.

***Credit quality, provisions and write offs***

The credit quality of our assets is a key driver of our results of operations, as credit quality helps to reduce the risk of losses from impairment of factoring and loan assets. There is a risk that our clients' debtors and their guarantors under our standard financing transactions may default or be delayed in their payment or repayment obligations, due to various reasons including their lack of liquidity, increase in operating costs, insolvency or business failure. Further, in the case of our short term corporate loans business where our financing structures are backed by collateral, the value of the security or collateral obtained may decline due to a decline in the market price of shares held by us as collateral or due to an imperfection in title or difficulty in locating movable assets. Moreover, in the event of such a default or diminution of asset quality, there may be certain protections and rights to which we do not have a recognised statutory claim, or in respect of which there may be a delay or difficulty in enforcement or protection on the part of a judicial or regulatory authority.

Pursuant to regulations prescribed by the RBI, we are required to make provisions for our sub-standard, doubtful and loss assets. Although the RBI has, at present, prescribed a provisioning requirement of 0.25% on standard assets for NBFC-ND-SIs, considering the unsecured nature and risks involved in the factoring business (as described above), under our current credit policy, we have adopted a more conservative provision of 0.50% on the standard assets of our Company. Based on our credit policy, our provision as of March 31, 2011 was ₹ 42.28 million for standard assets and ₹ 11.19 million for bad and doubtful debts, while the RBI-required provision for

the same period was ₹ 21.14 million and ₹ 11.19 million, respectively. Our GNPA's for fiscal 2011 and 2010 were ₹ 111.91 million and ₹ 77.98 million, respectively and our NNPA's for fiscal 2011 and 2010 were ₹ 100.72 million and ₹ 70.18 million, respectively. We did not have any NPA's in fiscal 2009.

We believe that our historically low level of NPA's is a function of our pre-sanction due diligence as well as the recourse mechanisms implemented by us in accordance with our credit policy. For instance, we typically secure our advances through post-dated cheques from the client (and in some cases, from the debtor as well), personal guarantees of the promoter(s) and/or director(s) of the clients, and in the case of our short term corporate loans business, based on collateral obtained from the client as well. Further, in certain instances, we seek to manage our exposure to risk through the creation of a designated escrow account into which the debtor remits the payment due to us, explicitly acknowledging the factoring arrangement or through a 'diluted' escrow arrangement, where the debtor remits the payment into an escrow account in favour of our client, without explicitly acknowledging the factoring arrangement. Further, in view of the various credit risks to which we are exposed as result of our factoring and corporate loans business, our credit policy currently limits our exposure to not more than 20% in respect of one product (applicable to products other than conventional sales bill factoring based on assignment of receivables) and not more than 15% of our Owned Funds in the case of an individual client and not more than 25% in case of a group of companies.

### ***Regulatory Framework in India***

We are registered with the RBI as an NBFC-ND-SI. The banking and financial services industry in India is highly regulated, including in relation to asset classification, capital adequacy, cash reserves and liquid assets, as well as individual and group borrower exposures and other prudential norms. For instance, we are required under applicable laws and regulations to maintain a CAR of at least 15% of our risk-weighted assets, with the minimum requirement of Tier I capital being 10%. Further, the provisioning requirements of the RBI, to which we are subject as an NBFC may require us to hold fewer reserves for NPA's as a percentage of our FIU and maintain a lower threshold for the provision for doubtful loans and advances than the provisioning requirements applicable to financial institutions and banks in other countries, and may, moreover, require subjective judgments of our management. In addition, our ability to borrow from banks may be restricted under guidelines issued by the RBI imposing restrictions on bank credit to NBFCs. The RBI can also alter any of these policies at any time and can introduce new regulations which could impact our results of operations.

There is currently no specific regulatory regime for the factoring industry in India. Among other disadvantages under the current regulatory framework, the applicability of high stamp duty on assignment of receivables would increase our transaction cost substantially, due to which, our factoring transactions are typically structured around the execution of an agreement to assign along with a power of attorney to exercise the assignment on maturity, instead of the execution of a deed of assignment. Further, there is a risk that the notice of assignment that we have entered into under any factoring transaction may not be honoured by the debtor as there is presently no central database for the registration or verification of any such assignment, and we are not presently eligible to seek enforcement or relief under the Debt Recovery Act and SARFAESI. As a result, there may be certain protections and rights to which we do not have a recognised statutory claim, or in respect of which there may be a delay or difficulty in enforcement or protection on the part of a judicial or regulatory authority.

The Factoring Bill was recently introduced in the lower house of the Indian Parliament by the MoF, and we understand that it has subsequently been referred to the Parliamentary Standing Committee of Finance for further review. While this proposed legislation is yet to be approved by the Indian Parliament and would then require to be notified in the Indian Gazette in order to come into effect, the impact of the enactment of Factoring Bill on the business and competitive environment in India is presently unclear. Among other things, while the Factoring Bill contemplates reform in relation to various aspects of the factoring business, including with respect to compulsory registration of assignment of receivables in any factoring transaction, the draft of the Factoring Bill that was introduced in the lower house of the Indian Parliament by the MoF did not contemplate an exemption of stamp duty in respect of factoring transactions.

For more information, see "*Regulations and Policies in India*" and "*Industry Overview*" on pages 71 and 45, respectively.

### ***Growth of the Indian SME sector.***

Our clientele is primarily comprised of SMEs with an annual sales turnover, typically ranging from ₹ 150 million to ₹ 2,500 million. SMEs contribute 45% of the industrial output, 40% of exports, 60 million in employment, with generation of 1.3 million employment opportunities annually and produce more than 8,000 quality products for Indian and international markets. SME's Contribution towards GDP in 2009 was 17% which is expected to increase to 22% by 2012. SMEs are significant in the manufacturing and service sectors, as well as a link in the supply chain to corporate entities and public sector undertakings. Promotion of SMEs contributes to the development of rural areas of India. SMEs are consequently exposed to significant opportunities for expansion and diversification across sectors, with progress in various industries like manufacturing, precision engineering, food processing, pharmaceuticals, textiles and garments, retail, information technology, agro and service sectors. (Source: SMBDCI Report) However, the Indian SME sector presently suffers from limited ability to access traditional working capital finance and inadequate credit information being available in respect of SMEs, in part due to their being scattered across Tier II and III cities and towns in India and their inability to offer collateral. We believe that factoring offers a viable and efficient medium of financing for SMEs for whom traditional sources do not fully meet working capital finance requirements. Any decline in the growth of SMEs in India could negatively impact our client base and in turn impact our results of operation.

### **Significant Accounting Policies**

Our financial statements have been prepared in accordance with the Indian GAAP and the Companies Act, and restated in accordance with the SEBI ICDR Regulations. Our significant accounting policies are set forth in “*Financial Statements -Annexure 5*” on page 112.

Indian GAAP requires that we adopt accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements. The estimates and assumptions used in our financial statements are based on management's evaluation of the relevant fact and circumstances as of the date of the financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods. By their nature, these estimates and assumptions are subject to an inherent degree of uncertainty, and there can be no assurance that such estimates and assumptions will prove correct.

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 critical accounting policies warrant particular attention:

#### ***Revenue Recognition***

Income from factoring and other financing activities is accounted on accrual basis except in the case of NPAs, where income is accounted on realization as per the RBI Prudential Norms.

#### ***Classification of Assets and Provisioning***

- (i) All credit exposures are classified into performing and NPAs as per guidelines laid down by the RBI. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI.
- (ii) Provisions on NPAs are made as per guidelines laid down by the RBI. Additional provisions are made against specific assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.
- (iii) Provisions on standard assets are made at the rate of 0.50%.

#### ***Fixed Assets, Depreciation & Amortization***

##### ***(i) Tangible***

Fixed Assets are stated at cost, less accumulated depreciation and impairment. Depreciation has been provided on the basis of the straight line method as per Schedule XIV to the Companies Act. Assets having individual value of ₹ 5,000 or less are fully depreciated in the year of acquisition.

(ii) *Intangible*

In accordance with Accounting Standard-26, intangible assets are valued at cost less accumulated amortization and any impairment losses. Expenditure on major software products is written off over a period of five years on the basis of the straight line method, as described above.

***Impairment of Assets***

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the impairment loss is recognised in our profit and loss account. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

***Factored Debts***

Debts purchased are shown as sundry debtors. The unpaid balance of the price of debts factored and due to the clients on collection is included under our current liabilities as ‘Contractual Liability against Sundry Debtors Collection’.

***Foreign Currency Transactions***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transactions. Gains or losses arising out of fluctuation in exchange rates on settlement are recognised in our profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year end and gains or losses on translation are provided for in the profit and loss account. Premium or discount on hedging transactions, where applicable, is spread over the period to which it relates.

***Investments***

Investments are classified into current investments and long-term investments.

(i) *Long-term investments*

Long-term investments are stated at cost. A provision is made for diminution other than temporary on an individual basis.

(ii) *Current investments*

Current Investments are stated at the lower of cost or market value.

***Taxation***

- (i) Current tax liability is determined and provided as the amount of tax payable in respect of taxable income for the year.
- (ii) Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or subsequent periods. Deferred tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised if there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred taxes are reviewed for the carrying values at each balance sheet date.

***Employee Benefits***

(i) *Defined Contribution Plan*



Employee benefits in the form of contribution towards provident fund and family pension schemes are considered as defined contribution plans and the contributions are charged to our profit and loss account of the year when the contributions to the respective funds are due.

(ii) *Defined Benefit Plan*

Retirement benefits in the form of gratuity are considered defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the balance sheet.

(iii) *Other Long Term Benefits*

Long term compensated absences are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the balance sheet.

Actuarial gains or losses are immediately taken to our profit and loss account.

**Provisions, Contingent Liabilities and Contingent Assets**

(i) Provisions are recognised for liabilities that can be measured only using a substantial degree of estimation, if:

- (a) the Company has a present obligation as a result of past event;
- (b) a probable outflow of resources is expected to settle the obligation; and
- (c) the amount of obligation can be reliably estimated.

Reimbursements expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

(ii) Contingent liability is disclosed in the case of:

- (a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- (b) a possible obligation, unless the probability of outflow of resources is remote.

Provisions and contingent liabilities are reviewed by the management at each balance sheet date.

(iii) Contingent assets are neither recognised nor disclosed.

**Key Financial Metrics Impacting our Financial Conditions and Results of Operations**

Certain of our key financial indicators in fiscal 2011, 2010 and 2009 are set forth below:

(₹ in million, except percentages)			
<b>Certain Key Financial Indicators</b>	<b>Fiscal 2011</b>	<b>Fiscal 2010</b>	<b>Fiscal 2009</b>
Turnover	26,834.60	11,640.00	4,023.10
FIU (as on March 31)	8,568.64	3,027.49	1,116.06
Average earning on FIU	15.32%	15.74%	16.56%
NIM	7.50%	11.17%	12.19%
CRAR	20.39%	36.14%	87.59%
Income from operations	799.40	311.46	93.30

**Turnover**

Turnover includes the total amount of invoices factored by us and the total amount disbursed by us as short term corporate loans, during the relevant fiscal period. Our turnover for fiscal 2011, 2010 and 2009 was ₹ 26,834.60 million, ₹ 11,640.00 million and ₹ 4,023.10 million, respectively.

**Funds in use**

Our FIU includes the total amount outstanding against invoices submitted to us for factoring and the total amount outstanding in respect of short term corporate loans sanctioned by us. FIU will also include discount and



service charges (as well as interest charge in the case of our short term corporate loans), in the event they are overdue. Our FIU as on March 31, 2011, March 31, 2010 and March 31, 2009 was ₹ 8,568.14 million, ₹ 3,027.49 million and ₹ 1,116.06 million, respectively.

Our domestic sales bill factoring business accounted for 54.59%, of our FIU as on March 31, 2011. Our short term corporate loans business commenced in fiscal 2011 accounting for 30.50% of our FIU as on March 31, 2011.

Our clients may be broadly classified into four categories: viz., manufacturer suppliers (typically for manufacturers with term contracts from original equipment manufacturers), erection, procurement and commissioning contractors (i.e., for turnkey projects, typically of a long term nature), service providers (i.e., where no physical goods are exchanged, including transportation services, maintenance services, logistics services and others) and traders (including distributors as well as retailers). As on March 31, 2011, 11.25% of our FIU was in the auto ancillary industry, followed by 8.89% in the metal/steel industry, 8.17% in real estate, 8.16% in pharmaceuticals, 6.67% in infrastructure, 5.30% in information technology-software, 4.88% in textiles and garments, and the remainder in chemicals, energy and power, electrical/electrical ancillary, engineering and other sectors. We are continuing to explore opportunities to expand our business in recently launched product lines.

For further information, see “*Selected Statistical Information*” on page 126.

### ***Net interest margin***

We calculate our interest income as the aggregate of discount charges, service charges and interest income on short term corporate loans. We calculate our net interest income as the aggregate of discount charges, service charges and interest income on short term corporate loans, less the financial charges, which is the interest expense and other charges (including mobilization charges). Our net interest margin is the ratio of our net interest income to our Daily Average FIU. Our NIMs for fiscal 2011, 2010 and 2009 were 7.50%, 11.17% and 12.19%, respectively.

For further information, see “*Selected Statistical Information*” on page 126.

### ***Income***

Our income from operations comprises:

- (i) discount and service charges, comprising an agreed discount charges and an agreed factoring fee received by us from our factoring clients. The discount charges (or the interest charges) are calculated at an agreed rate on outstanding FIU. The factoring fee charged on each domestic factoring transaction generally ranges between 0.1% to 0.35% of the invoice amount and between 0.5% to 1.00% of the invoice amount for each export factoring transaction (which also includes import factoring commission payable by us to import factors);
- (ii) application and administrative charges which include one-time fees collected at the time of appraisal/sanction/enhancement/modification/renewal of all our factoring transactions and short term corporate loans; and
- (iii) interest income from short term corporate loans.

### ***Results of Operations***

Our audited financial statements, as restated, for fiscal 2011, 2010, 2009, 2008 and 2007 included in this Draft Red Herring Prospectus have been presented in compliance with Indian GAAP and the SEBI ICDR Regulations. The following table sets forth certain information with respect to our results of operations for the periods indicated:

Particulars	Fiscal 2011		Fiscal 2010		Fiscal 2009	
	₹ million	Percentage of Total Income (%)	₹ million	Percentage of Total Income (%)	₹ million	Percentage of Total Income (%)
<b>Income</b>						
<i>Income from operations</i>						

Particulars	Fiscal 2011		Fiscal 2010		Fiscal 2009	
	₹ million	Percentage of Total Income (%)	₹ million	Percentage of Total Income (%)	₹ million	Percentage of Total Income (%)
Discount and service charges	604.71	75.49%	281.24	88.89%	83.62	79.50%
Application and administrative charges	78.75	9.83%	30.22	9.55%	9.69	9.21%
Interest income on term loans	115.94	14.47%	-	-	-	-
Other Income	1.67	0.21%	4.93	1.56%	11.88	11.29%
<b>Total</b>	<b>801.07</b>	<b>100.00%</b>	<b>316.39</b>	<b>100.00%</b>	<b>105.19</b>	<b>100.00%</b>
<b>Expenditure:</b>						
Personnel costs	36.87	4.60%	24.73	7.82%	10.06	9.56%
Administrative and general costs	34.20	4.27%	24.52	7.75%	29.35	27.90%
Interest and finance costs	367.73	45.90%	81.64	25.80%	22.09	21.00%
Depreciation and amortization	1.81	0.23%	1.00	0.32%	1.25	1.19%
<b>Total</b>	<b>440.61</b>	<b>55.00%</b>	<b>131.89</b>	<b>41.69%</b>	<b>62.75</b>	<b>59.65%</b>
<b>Profit before provisions and write offs</b>	<b>360.46</b>	<b>45.00%</b>	<b>184.50</b>	<b>58.31%</b>	<b>42.44</b>	<b>40.35%</b>
Bad debts written off (net of provisions)	25.21	3.15%	-	-	-	-
<i>Provisions:</i>						
Standard assets	27.58	3.44%	14.70	4.65%	-	-
Bad and doubtful debts	4.84	0.61%	7.80	2.46%	-	-
<b>Profit before tax</b>	<b>302.83</b>	<b>37.80%</b>	<b>162.00</b>	<b>51.20%</b>	<b>42.44</b>	<b>40.35%</b>
<b>Provision for tax</b>						
Current Tax	110.67	13.81%	64.41	20.35%	17.62	16.75%
Deferred tax	(8.85)	1.10%	(8.33)	2.63%	(3.10)	2.95%
Fringe benefit tax	-	-	-	-	0.11	0.11%
<b>Net profit after tax, before extraordinary items</b>	<b>201.01</b>	<b>25.09%</b>	<b>105.92</b>	<b>33.48%</b>	<b>27.81</b>	<b>26.44%</b>
<b>Adjustment for change in accounting policy</b>						
Employee benefits	-	-	-	-	(0.19)	0.18%
Provision on standard assets	-	-	5.58	1.76%	(4.42)	4.20%
<b>Adjustment for prior period items</b>						
Adjustment of short/excess provision of income tax, for earlier years written back	(1.52)	0.19%	1.98	0.63%	(0.44)	0.42%
Deferred tax impact on above adjustment	1.19	0.15%	(3.09)	0.98%	1.57	1.49%
<b>Net profits as restated</b>	<b>200.68</b>	<b>25.05%</b>	<b>110.39</b>	<b>34.89%</b>	<b>24.33</b>	<b>23.13%</b>

## Fiscal 2011 compared to Fiscal 2010

### Income

Our total income increased by ₹ 484.68 million, or 153.19%, from ₹ 316.39 million in fiscal 2010 to ₹ 801.07 million in fiscal 2011, primarily due to the growth of our business including increase in clients, increased geographical presence and introduction of new products by us during the year.

### Discount and service charges

Discount and service charges increased by ₹ 323.47 million, or 115.01%, from ₹ 281.24 million in fiscal 2010 to ₹ 604.71 million in fiscal 2011 primarily due to the growth of our domestic sales bill factoring business which constituted ₹ 4,678.01 million of our total FIU as on March 31, 2011 and ₹ 1,906.54 million of our total FIU as on March 31, 2010. The total number of clients increased from 69 in fiscal 2010 to 130 in fiscal 2011. Discount and service charges contributed 88.89% and 75.49% of our total income in fiscal 2010 and 2011, respectively.

#### *Application and administrative charges*

Application and administrative charges increased by ₹ 48.53 million, or 160.59%, from ₹ 30.22 million in fiscal 2010 to ₹ 78.75 million in fiscal 2011, primarily due to the growth of our factoring business as well as additional upfront fees earned from our short term corporate loans business which was introduced in fiscal 2011. Application and administrative charges contributed 9.55% and 9.83% of our total income in fiscal 2010 and 2011, respectively.

#### *Interest income on term loans*

Due to the introduction of our short term corporate loans business in fiscal 2011, our interest income on our short term corporate loans constituted ₹ 115.94 million in fiscal 2011. Interest income on short term corporate loans contributed 14.47% of our total income in fiscal 2011.

#### *Other Income*

Other income decreased by ₹ 3.26 million, or 66.13%, from ₹ 4.93 million in fiscal 2010 to ₹ 1.67 million in fiscal 2011, primarily due to decrease in syndication fees and the decrease in investments in fixed deposits and mutual funds made by our Company due to deployment of funds towards our business. Other income contributed 1.56% and 0.21% of our total income in fiscal 2010 and 2011, respectively.

#### *Expenditure*

Total expenditure increased by ₹ 308.72 million, or 234.07%, from ₹ 131.89 million in fiscal 2010 to ₹ 440.61 million in fiscal 2011, primarily due to an increase personnel costs, administrative and general costs, interest and finance costs and depreciation and amortization as a result of growth in our business during that period.

#### *Personnel Costs*

Personnel costs include salary, bonus and other benefits, contributions to provident and other funds and staff welfare expenses. Our personnel costs increased by ₹ 12.14 million, or 49.09%, from ₹ 24.73 million in fiscal 2010 to ₹ 36.87 million in fiscal 2011 due to an increase in the number of employees and an annual increase in employee compensation. Personnel costs, as a percentage of total income, decreased from 7.82% in fiscal 2010 to 4.60% in fiscal 2011.

#### *Administrative and General Costs*

Administrative and general costs increased by ₹ 9.68 million, or 39.48%, from ₹ 24.52 million in fiscal 2010 to ₹ 34.20 million in fiscal 2011, primarily on account of fees paid to regulatory authorities in relation to the increase in authorised share capital of our Company, increase in legal and professional expenses on account of credit rating and field audit surveys and rent towards our office space. Administrative and general costs, as a percentage of total income, decreased from 7.75% in fiscal 2010 to 4.27% in fiscal 2011, primarily as a result of the growth of our business as a result of which we began to benefit from increasing economies of scale.

#### *Interest and Finance Costs*

Our interest and finance charges in relation to our financing arrangements increased by ₹ 286.09 million, or 350.43%, from ₹ 81.64 million in fiscal 2010 to ₹ 367.73 million in fiscal 2011. Interest and finance costs, as a percentage of total income, increased from 25.80% in fiscal 2010 to 45.90% in fiscal 2011. This increase was due to an increase in our outstanding borrowings from ₹ 1,919.63 million as on March 31, 2010 to ₹ 75,77.10 million as on March 31, 2011, due to our increased volume of business. Our weighted average borrowing rate was 10.17% in fiscal 2010 which increased marginally to 10.24% in fiscal 2011.

### *Depreciation and Amortization*

Depreciation and amortization increased by ₹ 0.81 million, or 81%, from ₹ 1.00 million in fiscal 2010 to ₹ 1.81 million in fiscal 2011, reflecting depreciation or amortization on assets including computers, software and office equipment. Depreciation and amortization, as a percentage of total income, was 0.32% in fiscal 2010 and 0.23% in fiscal 2011.

### *Provisions and Write Offs*

Provisions and write offs increased by ₹ 35.13 million, or 156.13%, from ₹ 22.50 million in fiscal 2010 to ₹ 57.63 million in fiscal 2011. While there was a decrease in our provision for bad and doubtful debts from ₹ 7.80 million in fiscal 2010 to ₹ 4.84 million in fiscal 2011, the increase in our overall provisions and write offs was primarily on account of bad debts written off (in accordance with RBI provisioning requirements) of ₹ 25.21 million in fiscal 2011 as well as an increase of ₹ 12.88 million or 87.62% in our provisions for standard assets from ₹ 14.70 million in fiscal 2010 to ₹ 27.58 million in fiscal 2011 due to growth in our business during that period.

### *Profit before Tax*

As a result of the foregoing, our profit before tax was ₹ 162.00 million in fiscal 2010 and ₹ 302.83 million in fiscal 2011. Profit before tax, as a percentage of our total income, was 51.20% in fiscal 2010 and 37.80% in fiscal 2011.

### *Tax Expense*

Current tax increased by ₹ 46.26 million, or 71.82%, from ₹ 64.41 million in fiscal 2010 to ₹ 110.67 million in fiscal 2011 on account of the increase in our taxable profit. Provision for deferred tax in fiscal 2011 was ₹ 8.85 million, compared to ₹ 8.33 million in fiscal 2010 primarily on account of increase in provision on standard and doubtful assets.

### *Net Profit after Tax*

Net profit after tax was ₹ 201.01 million in fiscal 2011, compared to net profit after tax of ₹ 105.92 million in fiscal 2010. We accounted for adjustments for prior period items of provision of income tax for earlier years written back and deferred tax impact of ₹ 0.33 million and ₹ 1.11 million, in fiscal 2011 and fiscal 2010, respectively, and for change in accounting policy in relation to provision of standard assets of ₹ 5.58 million in fiscal 2010. Net profit after tax, as a percentage of total income, was 33.48% in fiscal 2010 and 25.09% in fiscal 2011.

### *Net Profits as Restated*

Our net profits as restated increased by ₹ 90.29 million, or 81.79%, from ₹ 110.39 million in fiscal 2010 to ₹ 200.68 million in fiscal 2011. Our net profits as restated, as a percentage of total income, was 34.89% in fiscal 2010 and 25.05% in fiscal 2011.

## **Fiscal 2010 compared to Fiscal 2009**

### *Income*

Our total income increased by ₹ 211.20 million, or 200.78%, from ₹ 105.19 million in fiscal 2009 to ₹ 316.39 million in fiscal 2010, primarily due to the growth of our business and increase in clients.

### *Discount and service charges*

Discount and service charges increased by ₹ 197.62 million, or 236.33%, from ₹ 83.62 million in fiscal 2009 to ₹ 281.24 million in fiscal 2010, primarily due to the growth of our domestic sales bill factoring business which constituted ₹ 1,906.54 million of our total FIU in fiscal 2010 and ₹ 532.63 million of our total FIU in fiscal 2009. The total number of clients increased from 35 in fiscal 2009 to 69 in fiscal 2010. Discount and service charges contributed 79.49% and 88.89% of our total income in fiscal 2009 and 2010, respectively.

### *Application and administrative charges*

Application and administrative charges increased by ₹ 20.53 million, or 211.87%, from ₹ 9.69 million in fiscal 2009 to ₹ 30.22 million in fiscal 2010, primarily due to an increase in our business. Application and administrative charges contributed 9.21% and 9.55% of our total income in fiscal 2009 and 2010, respectively.

### *Other Income*

Other income decreased by ₹ 6.95 million, or 58.50%, from ₹ 11.88 million in fiscal 2009 to ₹ 4.93 million in fiscal 2010, primarily due to deployment of funds towards our business and on account of exchange rate fluctuations. Other income contributed 11.29% and 1.56% of our total income in fiscal 2009 and 2010, respectively.

### *Expenditure*

Total expenditure increased by ₹ 69.14 million, or 110.18%, from ₹ 62.75 million in fiscal 2009 to ₹ 131.89 million in fiscal 2010, primarily due to an increase in personnel costs and interest and finance costs as a result of growth in our business during that period.

### *Personnel Costs*

Personnel costs increased by ₹ 14.67 million, or 145.83%, from ₹ 10.06 million in fiscal 2009 to ₹ 24.73 million in fiscal 2010 due to incentives paid to our employees in terms of the PLI Scheme, annual employee compensation and new recruitments during the year. Personnel costs, as a percentage of our total income, decreased from 9.56% in fiscal 2009 to 7.82% in fiscal 2010.

### *Administrative and General Costs*

Administrative and general costs decreased by ₹ 4.83 million, or 16.46%, from ₹ 29.35 million in fiscal 2009 to ₹ 24.52 million in fiscal 2010, primarily on account of discard of leasehold improvements in relation to our Company's previous office space and filing fees for increase in our authorised share capital in fiscal 2009 and additional rent for our office space in fiscal 2010. Administrative and general costs, as a percentage of total income, decreased from 27.90% in fiscal 2009 to 7.75% in fiscal 2010.

### *Interest and Finance Costs*

Our interest and finance costs increased by ₹ 59.55 million, or 269.58%, from ₹ 22.09 million in fiscal 2009 to ₹ 81.64 million in fiscal 2010. Interest and finance costs, as a percentage of total income, increased from 21.00% in fiscal 2009 to 25.80% in fiscal 2010. This increase was due to an increase in our outstanding borrowings from ₹ 250.00 million as on March 31, 2009 to ₹ 1,919.63 million as on March 31, 2010 as a result of growth in our business.

### *Depreciation and Amortization*

Depreciation and amortization decreased by ₹ 0.25 million, or 20.00%, from ₹ 1.25 million in fiscal 2009 to ₹ 1.00 million in fiscal 2010, reflecting depreciation or amortization on assets including computers, software and office equipment. Depreciation and amortization, as a percentage of our total income, was 1.19% in fiscal 2009 and 0.32% fiscal 2010.

### *Provisions and Write Offs*

Our provisions and write offs in fiscal 2010 aggregated to ₹ 22.50 million. We did not make any provisions and write offs in fiscal 2009.

### *Profit before Tax*

As a result of the foregoing, our profit before tax was ₹ 42.44 million in fiscal 2009 and ₹ 162.00 million in fiscal 2010. Profit before tax, as a percentage of our total income, was 40.35% in fiscal 2009 and 51.20% fiscal 2010.

### ***Tax Expense***

Current tax increased by ₹ 46.79 million, or 265.55%, from ₹ 17.62 million in fiscal 2009 to ₹ 64.41 million in fiscal 2010, primarily on account of the increase in our taxable profit. Provision for deferred tax in fiscal 2010 was ₹ 8.33 million, compared to ₹ 3.10 million in fiscal 2009. In fiscal 2009 we provisioned for an amount of ₹ 0.11 million as fringe benefit tax. Fringe benefit tax was abolished for the subsequent years.

### ***Net Profit after Tax***

Net profit after tax was ₹ 105.92 million in fiscal 2010, compared to our net profit after tax of ₹ 27.81 million in fiscal 2009. We accounted for adjustments for prior period items of provision of income tax for earlier years written back and deferred tax impact of ₹ 1.11 million and ₹ 1.13 million, in fiscal 2010 and fiscal 2009, respectively, and for change in accounting policy in relation to provision of standard assets of ₹ 5.58 million in fiscal 2010 and in relation to employee benefits and provision of standard assets of ₹ 4.61 million in fiscal 2009. Net profit after tax, as a percentage of our total income, was 26.44% in fiscal 2009 and 33.48% fiscal 2010.

### ***Net Profits as Restated***

Our net profits as restated increased by ₹ 86.06 million, from ₹ 24.33 million in fiscal 2009 to ₹ 110.39 million in fiscal 2010. Our net profits as restated, as a percentage of our total income, was 23.13% in fiscal 2009 and 34.89% fiscal 2010.

For further information on the restatement adjustments, see “*Financial Statements-Annexure 5A*” on page 114 and “*-Results of Operations-Restatement Adjustments*” below.

### **Restatement Adjustments**

The restatement adjustments carried out by us for the preparation of our restated financial statements, in compliance with the SEBI ICDR Regulations are as follows:

#### ***Provision on Standard Assets***

During fiscal 2010, our Company has adopted a policy of maintaining 0.50% provision on standard assets. The restatement of financial statements for fiscal 2009, 2008 and 2007 have also been made on the basis of new provision policy as prescribed for subsequent years. The summary statement of profit and losses and statement of assets and liabilities, as restated has been adjusted for respective years in respect of short provisions made on account of standard assets and effect for fiscal 2006 and before has been adjusted with opening profit and loss and provision for standard assets of fiscal 2007.

#### ***Appropriation to Statutory Reserve Fund (U/s 45-IC of the Reserve Bank of India Act, 1934)***

During fiscal 2009, our Company has created a Statutory Reserve Fund and appropriated therein 20% of its net profit earned until fiscal 2008 and also started appropriation of 20% of its net profit for each year therein. The restatement of financial statements for fiscal 2008 and 2007 have also been made considering the appropriation of profit of each respective year. The summary statement of profit and losses and statement of assets and liabilities, as restated has been adjusted for respective years on account of appropriation of profit towards statutory reserve fund and effect for fiscal 2006 and before has been adjusted with opening profit and loss and Statutory Reserve Fund of fiscal 2007. Adjustment has no impact on our net profit and total balance of reserves.

#### ***Change in accounting policy for accounting of "Employee Benefits"***

Our Company has provided gratuity and leave liabilities with effect from April 1, 2008 as per actuarial valuation on the basis of Accounting Standard 15 (Revised) - “Employee Benefits” as against the past practice of providing the same on the basis of accrual. The restatement of financial statements for fiscal 2007 and 2008 have also been made considering the liability as per Accounting Standard 15 (Revised). The Summary Statement of profit and losses and statement of assets and liabilities, as restated has been adjusted for respective years in respect of excess/short provisions made on account of gratuity and leave liability and effect for fiscal 2006 and before has been adjusted with opening profit and loss and provision of gratuity and leave of fiscal 2007.

### **Table reflecting reconciliation of audited reserves and surplus with restated reserves and surplus:**



(₹ in millions)

Particulars	For the year ended March 31				
	2011	2010	2009	2008	2007
<b>Reserves &amp; Surplus as per audited financial statements</b>	432.00	295.55	189.63	40.73	34.92
Adjustment of amount of provision recognised in FY 2009-10, on account of adoption of new accounting policy of making provision on standard assets @ 0.50% of outstanding fund in use, to the respective financial year.	-	-	(5.58)	(1.16)	(1.09)
Adjustment for change in accounting policy for valuation of Leave and Gratuity Liability as per Revised AS-15.	-	-	-	0.19	(0.21)
Tax adjustment of earlier years	-	1.52	(0.46)	(0.02)	-
Deferred Tax impact on above adjustments	-	(1.19)	1.90	0.33	0.44
<b>Reserves &amp; Surplus as per restated financial statements</b>	432.00	295.88	185.49	40.07	34.06

## Liquidity and Capital Resources

Our primary liquidity requirements are to finance our working capital requirements. Our primary sources of funds include equity capital, internal resources and domestic borrowings from our Promoter and other lenders, including term loans, working capital loans and cash credit against hypothecation of receivables. As on March 31, 2011, 32.99% of our total outstanding borrowings was from our Promoter on an arm's length basis. Further, 58.21% of total borrowings was from short term commercial loans (tenor up to one year) and 41.79% was from other commercial loans (tenor one to seven years). As of March 31, 2011, our cash and bank balances were ₹ 243.83 million.

### Cash Flows

The following table summarizes our cash flows for the periods indicated:

(₹ million)

Particulars	Fiscal 2011	Fiscal 2010	Fiscal 2009
Net cash from/(used in) operating activities	(86.98)	(111.61)	(613.52)
Net cash from/(used in) investing activities	(182.61)	(3.70)	(1.19)
Net cash from/(used in) financing activities	496.75	-	709.62
Net increase/(decrease) in cash and cash equivalents	227.16	(115.31)	94.91

### Operating activities

Out net cash used in operating activities in fiscal 2011 was ₹ 86.98 million. Our adjustments for working capital changes for fiscal 2011 were ₹ 352.74 million, primarily on account of the increase in borrowings of ₹ 5,157.47 million being set off against sundry debtors for our factoring business of ₹ 3,857.28 million, increase in sundry creditors (constituting primarily the amounts payable to our clients in our factoring transactions) of ₹ 961.46 million and an increase in loans and advances towards short term corporate loans in fiscal 2011 of ₹ 2,614.39 million, reflecting a growth in our business.

Net cash used in operating activities in fiscal 2010 was ₹ 111.61 million. Our adjustments for working capital changes for fiscal 2010 were ₹ 226.95 million, primarily consisting of an increase in borrowings of ₹ 1,669.19 million being set off against sundry debtors for our factoring business of ₹ 2,505.62 million, increase in sundry creditors of ₹ 609.18 million and a decrease in loans and advances of ₹ 0.30 million, reflecting a growth in our business.

Net cash used in operating activities in fiscal 2009 was ₹ 613.52 million. Our adjustments for working capital changes for fiscal 2009 were ₹ 657.09 million, primarily consisting of an increase in borrowings of ₹ 208.00 million being set off against sundry debtors for our factoring business of ₹ 1,060.92 million, increase in sundry creditors of ₹ 194.25 million and a decrease in loans and advances of ₹ 1.58 million, reflecting a growth in our business.

### Investing activities



Net cash used in investing activities in fiscal 2011 was ₹ 182.61 million, resulting primarily from purchase of fixed assets such as computers and office equipment of ₹ 2.79 million, investments in mutual funds of ₹ 180.00 million and income from mutual funds of ₹ 0.18 million.

Net cash used in investing activities in fiscal 2010 was ₹ 3.70 million, resulting primarily from purchase of fixed assets such as computers and office equipment of ₹ 4.65 million partially offset by income from mutual funds of ₹ 0.95 million.

Net cash used in investing activities in fiscal 2009 was ₹ 1.19 million, resulting primarily from purchase of fixed assets such as computers and office equipment of ₹ 1.79 million and a sale of fixed assets of ₹ 0.60 million.

#### *Financing activities*

Net cash generated from financing activities in fiscal 2011 was ₹ 496.75 million, primarily resulting from subordinate debt of ₹ 500.00 million raised from our Promoter.

Net cash used in financing activities in fiscal 2010 was nil.

Net cash generated from financing activities in fiscal 2009 was ₹ 709.62 million, resulting primarily from proceeds of issuance of equity share capital pursuant to a rights issue of ₹ 714.67 million less related expenses of ₹ 4.88 million and ₹ 0.17 million for dividend paid in relation to dividend declared for fiscal 2007.

#### **Indebtedness**

The following table summarizes our outstanding indebtedness as of the dates indicated:

(₹ million)			
Particulars	As of March 31, 2011	As of March 31, 2010	As of March 31, 2009
Unsecured loans	500.00	-	-
Secured loans	7,077.10	1,919.63	250.00
<b>Total</b>	<b>7,577.10</b>	<b>1,919.63</b>	<b>250.00</b>

The following table provides certain information relating to our total indebtedness as of March 31, 2011:

(₹ million)					
Particulars	Payment due by				
	Total indebtedness as of March 31, 2011	Less than 1 year	1-3 years	3-5 years	More than 5 years
Unsecured loans	500.00	-	-	-	500.00
Secured loans	7,077.10	4,875.85	2,201.25	-	-

For further information, see “*Financial Indebtedness*” on page 148.

#### **Contingent Liabilities and Off Balance Sheet Arrangements**

Contingent liabilities as of March 31, 2011 comprised the following:

(₹ million)	
Particulars	Amount
Income tax demand against the Company relating to assessment years 2002-03, 2004-05 and 2007-08 which is being contested by the Company at CIT(A)/ITAT forum and final decision in pending	2.78
<b>Total</b>	<b>2.78</b>

For further information, see “*Financial Statements-Annexure 5B*” on page 115.

As on March 31, 2011, we did not have any other off-balance sheet arrangements, derivative instruments or other relationships with unconsolidated entities that would have been established for the purpose of facilitating off-balance sheet arrangements.

#### **Related Party Transactions**

We have entered into and expect to enter into transactions with certain related parties, including our Promoter, our key management personnel, as well as certain of our affiliated and Group Entities. For further information relating to our related party transactions, see “**Financial Statements -Annexure 10**” on page 123.

## **Qualitative Disclosure about Market Risks**

### ***Credit Risk***

Credit risk is the risk that one party to a financial transaction may fail to discharge an obligation and cause the other party to incur a financial loss. In other words, it is the risk that a client’s debtor (in the case of our factoring business) or our borrower (in the case of short term corporate loans extended by us) will default on contractual payments or repayments, as the case may be. We use a wide range of quantitative as well as qualitative parameters as a part of the appraisal process to make an assessment of the extent of underlying credit risk in a transaction, including through field survey audits undertaken as a part of our due diligence. Under our credit policy, we generally do not sanction any facility to clients appearing in CIBIL’s lists of ‘defaulters’ or ‘wilful defaulters’ as per RBI guidelines, or whose boards of directors include promoter directors or whole-time directors (other than professional directors and nominee directors of financial institutions or Central or State Governments) of companies appearing in CIBIL’s list of ‘wilful defaulters’.

### ***Settlement Risk***

We face settlement risk due to the fact that few financial transactions are settled simultaneously or on a same day basis, or in full measure. Consequently, we could suffer a loss if a counter-party fails to deliver on the settlement date. We believe that the proposed regulatory and institutional reform in the Indian factoring business will strengthen our risk management framework, contribute to our collections and recovery and lead to increased growth opportunities and investor interest in our industry, including through enabling access by factoring companies to debt recovery tribunals and the SARFAESI.

### ***Security Risk***

We seek to put in place a number of different quasi-security and security arrangements in relation to the short terms corporate loans that we extend. Facilities extended by us are generally not secured by mortgage of assets, but are backed by post dated cheques for the amount of the sanctioned facility from the client (and in certain cases, from the debtor as well) and personal guarantees of the promoters and/or directors of the client. However, our short term corporate loan disbursal and purchase bill factoring services are generally extended against tangible collateral. In the case of short term corporate loans offered by us, the primary security is the pledge of equity shares of a listed promoter or group entity, besides the provision of due-dated cheques for payment of interest and repayment of principal as well as personal guarantees obtained from the client’s promoter(s) and/or director(s). Where short term corporate loans are granted against pledge of shares, the minimum security cover is required to not be less than two times the amount of the facility, with the stipulation that in case of failure of the borrower to provide cash margin beyond 25% in the case of a fall in the market price of pledged shares, we reserve the right to sell the pledged shares without notice to the borrower or any legal intervention. Where pledges are created in our favour, such pledges are created exclusively in our favour in dematerialised form and, in specific cases, such pledges shall be related on *pari passu* basis across different facilities sanctioned by our Company or with other lenders.

### ***Liquidity Risk***

Liquidity risk is the risk of our potential inability to meet our liabilities as they become due because of our inability to obtain adequate funding or because we cannot easily unwind or offset specific exposures as a result of inadequate market depth or market disruptions. Liquidity risk is monitored through liquidity gap analysis. Our asset liability management framework includes periodic analysis of the liquidity profile of asset receipts and debt service obligations. We manage our liquidity risk through forward-looking resource mobilization based on projected disbursements and maturing obligations. Currently, our surplus funds are invested by way of short-term deposits with banks and mutual funds.

### ***Interest Rate Risk***

The primary interest rate-related risks we face are from timing difference in the maturity of our interest earning assets and interest-bearing liabilities, for example, if in an increasing interest rate environment, our liabilities mature prior to our assets and therefore require us to incur additional liabilities at a higher interest rate, and repricing risk, for example, where there is an adverse mismatch between the pricing terms of our assets and our liabilities. Interest rate risk is managed by analysis of interest rate sensitivity gap statements, evaluation of earning at risk on change of interest and creation of assets and liabilities with a mix of fixed and floating interest rates. We also implement interest rate risk management through the contractual terms of our factoring as well as short term corporate loan facilities, including pricing terms and maturities. All our factoring and other allied products' sanction documentation typically includes an interest reset clause and permits the withdrawal of any rolling facility at our discretion. Although the transaction cycle of our factoring products is significantly lower than the tenor of our borrowings, and all our factoring and sanction documentation typically includes an interest reset clause and permits the withdrawal of any rolling facility at our discretion, we may not be able to pass on increased cost of funds to our clients in all cases.

Changes in the interest rates affect our operations and movements in short term and long term interest rates have affected our interest income and interest expense. Interest rates are dynamic and dependent on various internal and external factors including cost of borrowing, market liquidity, competitors' rates, movement of benchmarks such as AAA bond/GSEC yields and RBI policy changes.

### ***Concentration Risk***

Concentration risk may arise from lack of diversification in business that may lead to excessive exposure or concentration in one client or a group of connected clients. Further, concentration risk may arise in products, industry sectors and geographical regions. We seek to manage our concentration risk through implementation of our credit policy, framed in accordance with the NBFC Prudential Norms. Among other things, our credit policy prescribes product, sector, individual and group and geographic exposures.

### ***Foreign Exchange Rate Fluctuation Risk***

Foreign currency exchange risk involves exchange rate movements among currencies that may adversely impact the value of foreign currency-denominated assets, liabilities and off-balance sheet arrangements. We do not presently have any outstanding foreign currency borrowings. We do not presently engage in any hedging transactions.

### ***Operational Risk***

Operational risks may arise from inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events over which we have no control, including changes in the applicable law and tax regulatory framework or a disruption or failure in information technology or telecommunications or other infrastructure. We have established systems and procedures to reduce operational risk, including through our credit policy. For instance, to avoid the risk of a client submitting false invoices to us for factoring, we require certified true copies of invoices, as well as copies of remittance advice received from the debtor in receipt of payment of the invoices factored, and copies of debtor account statements on a quarterly basis. Additionally, to avoid the risk of double financing, working capital bankers are required to be informed with regard to the facility approved by our Company, the debtors are required to be approved, disbursements are made in the client's working capital banker's account and debtors are factored on a whole turnover basis. Further, once the legal documentation is complete and conditions precedent are fulfilled, only our Managing Director is permitted to authorize the first disbursement under any facility sanctioned by our Company. Compliance with our guidelines is monitored through internal controls and internal and external audits, monitored by our Credit Committee and overseen by our Audit Committee and our Board.

### ***Legal Risk***

Legal risk arises from the uncertainty of enforceability of contracts relating to the obligations of our clients, as well as adverse orders or judgments in law suits that can disrupt or adversely affect our operations. Among other disadvantages under the current regulatory framework, there is a risk that the notice of assignment that we have entered into under any factoring transaction may not be honoured by the debtor as there is presently no central database for the registration or verification of any such assignment and because, as NBFCs, we are not presently eligible to seek enforcement or relief under the Debt Recovery Act and rules issued thereunder, and the SARFAESI. As a result, there may be certain protections and rights to which we do not have a recognised

statutory claim, or in respect of which there may be a delay or difficulty in enforcement or protection on the part of a judicial or regulatory authority. Further, the applicability of high stamp duty on assignment of receivables would increase our transaction cost substantially (due to which, our factoring transactions are typically structured around the execution of an agreement to assign along with a power of attorney to exercise the assignment on maturity, instead of the execution of an actual deed of assignment at the outset). We believe that the proposed regulatory and institutional reform in the Indian factoring business will reduce our legal risk.

### ***Reputational Risk***

Reputational risk is the risk that negative publicity regarding our business practices, internal controls and corporate governance, whether true or not, may cause a decline in our client base or costly litigation. The implications of any actual or perceived non-compliance with applicable laws or regulations may be substantial and may include formal or informal inquiries or enforcement actions, enforcement actions including monetary penalties, and enhanced regulatory scrutiny.

### ***Credit Rating Risk***

We rely on rating agencies to enhance our own borrowing capability as well as for risk assessment purposes, in respect of our clients. Due to a variety of factors, including the risks described above, it is possible that our ratings may be withdrawn or downgraded by a rating agency, increase cost of funds. Secondly, due to a number of factors beyond our control, it is possible that the ratings on the basis of which we have assigned a certain risk weightage to any particular client account may be withdrawn or revised, changing the risk assessment profile of such accounts. The SME Rating Agency of India Limited has been established to implement a performance and credit rating scheme tailored to micro and small enterprises in India. We believe that the SME sector's ability to receive credit ratings and present viable business opportunities to us will benefit as a result of this scheme and related Government initiatives.

### **Known Trends or Uncertainties**

Other than as described in this Draft Red Herring Prospectus, particularly above and in “***Risk Factors***” on page xii, to our knowledge, there are no trends or uncertainties that have had or are expected to have a material adverse impact on our income from continuing operations.

### **Unusual or Infrequent Events or Transactions**

Except as described in this Draft Red Herring Prospectus, to our knowledge, there have been no events or transactions that may be described as “unusual” or “infrequent”.

### **Seasonality of Business**

While our income and profits may vary from fiscal period to fiscal period depending on factors including the financing needs of our clients and prevailing interest rates, we do not characterize our business as seasonal.

### **Segment Reporting**

The entire operations of our Company have been considered as representing a single segment.

### **Future Relationship between Costs and Income**

Other than as described above and in “***Risk Factors***” on page xii, to our knowledge, there are no known factors which will have a material adverse impact on our operations and finances.

### **Significant Dependence on a Single or Few Customers**

Although we have a wide client base and our business is not dependent on any single or few clients, a majority of our clientele is in the manufacturing sector. For more information, see “***Our Business***” on page 56.

### **Increase in our Revenue**

In addition to increase in the volume of our factoring business and the introduction of our short term corporate loans business, the introduction of any new products and services in the ordinary course of our business would also be expected to contribute to increase our revenue.

#### **New Products or Business Segment**

Apart from the recent business initiatives discussed in “*Our Business*” on page 56, we currently have no plans to develop new products or establish new business segments.

#### **Significant Regulatory Changes**

Except as described in “*Regulations and Policies in India*” on page 71, there have been no significant regulatory changes that could affect our income from continuing operations.

#### **Competitive Conditions**

We face significant competition from banks and financial institutions offering traditional sources of funds and other companies engaged in the factoring sector. For more information on our competitive conditions and our competitors, see “*Risk Factors*” and “*Our Business*” on pages xii and 56, respectively.

#### **Significant developments after March 31, 2011 that may affect our future results of operations**

To our knowledge, no circumstances have arisen since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, which materially and adversely affect or are likely to affect, our operations or profitability, the value of our assets or our ability to pay our material liabilities within the next twelve months. There is no development subsequent to March 31, 2011 that we believe is expected to have a material impact on the reserves, profits, earnings per share and book value of our Company.

## FINANCIAL INDEBTEDNESS

The total outstanding amount as on May 31, 2011 with respect to financial borrowings of our Company was ₹ 7,253.68 million. Set forth below is a summary of our significant financing arrangements as on May 31, 2011.

### A. Secured borrowings of our Company

Set forth below is a summary of our secured borrowings as on May 31, 2011.

No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
1.	IFCI	Letter of sanction dated May 16, 2008, along with working capital loan agreement dated June 10, 2008, secured by deed of hypothecation dated June 10, 2008 for an amount of ₹ 250 million towards meeting core working capital requirement of our Company.	₹ 250.00 million	First <i>pari-passu</i> charge on all receivables of our Company, present and future, by hypothecati on.	10.50% per annum, payable at quarterly rests, subject to annual review.	Repayable three years from first date of drawal, subject to annual review.	See ' <i>Restrictive Covenants Stipulated by our Promoter</i> ' <sup>#</sup> below.  The General Conditions applicable to Financial Assistance provided by IFCI Limited (No. GC-1-2010) shall be applicable to the said borrowing.  Our Promoter shall be entitled to appoint nominee director(s) on the Board of Directors of our Company during the currency of this borrowing.
2.	IFCI	Sanction letter dated September 29, 2009 read with letter for roll-over and modification in terms of the term loan dated September 28, 2010 and rupee term loan agreement dated December 8, 2009, secured by deed of hypothecation dated December 8, 2009 for an amount of ₹ 500 million towards additional business carried out by our company as part of its normal, day-	₹ 500.00 million	First <i>pari-passu</i> charge on receivables (other than factored debts, except only to the extent of shortfall in security by other receivables), present and future, by hypothecati on.	10.50% per annum, payable at quarterly rests, subject to annual review.	Repayable three years from date of first drawal, subject to annual review.	See ' <i>Restrictive Covenants Stipulated by our Promoter</i> ' <sup>#</sup> below.

No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
3.	IFCI	to-day activity. Sanction letter dated June 15, 2010 read with letter for roll-over and modification in terms dated November 29, 2010 and rupee term loan agreement dated August 3, 2010, secured by deed of hypothecation dated August 3, 2010 for an amount of ₹ 1,000 million towards additional business carried out by our company as part of its normal, day-to-day activity.	₹ 1,000.00 million	First <i>pari-passu</i> charge on receivables (other than factored debts, except only to the extent of shortfall in security by other receivables), present and future, by hypothecation.	10.50% per annum, payable at quarterly rests, subject to annual review or 0.50% per annum above the rate at which our Company arranges deposits with the Promoter, payable as per the terms of interest-payment on deposit to be mobilized.	Repayable three years from date of first drawal, subject to annual review.	See ' <i>Restrictive Covenants Stipulated by our Promoter</i> ' <sup>#</sup> below.  The General Conditions applicable to Financial Assistance provided by IFCI Limited (No. GC-1-2010) shall be applicable to the said borrowing.*
4.	IFCI	Sanction letter dated January 13, 2010 read with roll-over and enhancement of standby revolving credit facility letter dated January 31, 2011 and rupee term loan agreement dated January 29, 2010 for standby revolving credit facility read with agreement for standby revolving credit facility	₹ 250.00 million	First <i>pari-passu</i> charge on the receivables, present and future, by hypothecation.	11.00% per annum, payable quarterly	Standby revolving credit facility with tenure of three years, subject to review and renewal on annual basis.	See ' <i>Restrictive Covenants Stipulated by our Promoter</i> ' <sup>#</sup> below.



No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
		dated March 3, 2011, secured by deed of hypothecation dated January 29, 2010 and deed of hypothecation dated March 3, 2011 for an amount of ₹ 1,500 million towards meeting urgent requirement of funds for making repayment to banks from which cash credit limits have been obtained.					
5.	IFCI	Sanction letter dated March 14, 2011 and loan agreement dated April 20, 2011, secured by deed of hypothecation dated April 20, 2011 for an amount of ₹ 1,000 million to be utilised towards normal business activities of our Company.	Nil	First <i>pari-passu</i> charge on the receivables and other assets financed by our Company, present and future, by hypothecation.	12.00% per annum, payable with quarterly rests, subject to annual review.	Repayable three years from the date of first disbursement.	See 'Restrictive Covenants Stipulated by our Promoter' <sup>#</sup> below.
6.	Axis Bank Limited	Sanction letter dated September 28, 2010 read with amendment letter dated September 28, 2010, letter dated December 20, 2010 and demand/short term credit agreement dated December 30, 2010, letter of arrangement for cash credit advances dated	₹ 997.28 million	First <i>pari-passu</i> charge on the factored receivables, present and future by hypothecation, and letter of comfort from our Promoter.  The security for the short term loan of ₹ 500	2.25% over applicable bank lending rate for cash credit facility and working capital demand loan, and 1.75% over applicable bank lending rate for	The tenor of the cash credit facilities is one year and the working capital demand loan facilities may be availed in tenors of three, six, nine and 12 months within the maximum tenor of one year. The	Our Company shall not, without the prior written consent of Axis Bank Limited:  - Invest by share capital in or lend or advance funds to place deposits with any other concerns, except in normal course of business or as advances to employees. - Undertake guarantee obligations on behalf of any third party except in normal course of business. - Formulate any scheme of amalgamation with any third party or reconstitution of any third party. - Withdraw monies brought

No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
		December 30, 2010 and foreign currency loan agreement dated December 30, 2010 for cash credit facility of ₹ 50 million with sub-limit of loan equivalent risk facility of ₹ 35 million and working capital demand loan facility of ₹ 450 million with sub-limit of foreign currency demand loan of ₹ 450 million, secured by deed of hypothecation dated December 30, 2010. The facilities are to be utilised towards meeting working capital requirement of our Company. Additionally, pursuant to sanction letter dated March 14, 2011 read with demand/short term credit facility agreement dated March 15, 2011, an additional facility of working capital demand loan of ₹ 500 million towards priority sector lending has been		million for priority sector lending shall be secured by exclusive charge by hypothecation on present and future receivables, along with letter of comfort from our Promoter.	working capital demand loan facility for priority sector lending, payable with monthly rests.	Company has availed of the working capital demand loan facility for a tenor of 12 months. The tenor of the foreign currency demand loan and loan-equivalent risk sub-limits is six months. The working capital demand loan and the foreign-currency demand loan sub-limit facilities are repayable on demand.	<p>in by key promoters/depositors.</p> <ul style="list-style-type: none"> <li>- Implement any scheme of expansion or acquire fixed assets of substantial value, other than the envisaged project.</li> <li>- Effect any change in the Memorandum and Articles of Association.</li> <li>- Effect any change in ownership or control, management and capital structure or business of our Company.</li> <li>- Enter into borrowing arrangements, either secured or unsecured, with any other bank or financial institution or company or otherwise.</li> <li>- Grant loans to our Promoter, its associates and other companies, the Directors of our Company and other associates.</li> <li>- Declare dividends for any years except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment.</li> <li>- Make any repayment of loans and deposits and discharge other liabilities except those shown in the funds flow statement submitted from time to time.</li> <li>- Place any banking business with any other bank, and shall at least maintain pro rata banking business with Axis Bank Limited in multiple banking arrangements. In the event our Company undertakes a public or rights issue, Axis Bank Limited must be given pro-rata merchant banking business.</li> <li>- Create, attempt or purport to create any charge, mortgage, pledge, hypothecation lien or other encumbrance over property or any part thereof, which is or shall be security for repayment to Axis Bank Limited. Lease out or dispose of buildings or</li> </ul>

No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
		sanctioned and secured by deed of hypothecation dated March 15, 2011.					machinery or vehicles or other assets or any part of such assets mortgaged or hypothecated to Axis Bank Limited, nor shift plants or machinery or vehicles or other assets to any other place.
7.	Canara Bank	Sanction letter dated October 13, 2009 read with letter dated February 23, 2010, along with renewal letters dated August 25, 2010 (modified by letter dated September 15, 2010) and March 16, 2011 and letters of undertaking dated January 22, 2010, September 27, 2010 and March 21, 2011 and agreements dated January 22, 2010, March 10, 2010 and March 26, 2010 read with supplemental agreements dated September 27, 2010 and March 21, 2011 for overdraft against book-debt facility with an amount of ₹ 2,000 million with a sub-limit for working capital demand loan facility for an amount of ₹ 1,600 million, along with additional agreement for	₹ 2,081.47 million	Overdraft against book-debt facilities are secured by first <i>pari-passu</i> charge by assignment of factoring receivables of our Company, and short-term corporate loan secured by first <i>pari-passu</i> charge on receivables other than factored receivables, along with letter of comfort from our Promoter.	2.00% per annum over bank lending rate for overdraft against book-debt facility and short-term corporate loan and 1.50% per annum over bank lending rate for working capital demand loan sub-limits, payable at monthly rests.	The overdraft against book-debt facilities are available for one year. The short-term corporate loan is repayable in 11 quarterly instalments, the first payable two months after the date of first drawdown.	Our Company shall not, without the prior written consent of Canara Bank: <ul style="list-style-type: none"> <li>- Enter into any scheme of expansion programme or take up any new activity.</li> <li>- Invest or lend money except in the normal course of business or act as surety or guarantor.</li> <li>- Lease out or dispose of buildings/machinery/vehicles/other assets mortgaged or hypothecated with Canara Bank.</li> <li>- Engage any other bank for any banking business.</li> <li>- Dispose of all or any of its assets such that its ownership shall stand transferred to any person or persons.</li> </ul>

No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
		advances against book-debts dated March 21, 2011 read with take-delivery and pro-note letter dated March 21, 2011 for an amount of ₹ 500 million as a short-term loan. Link letters dated September 27, 2010 and March 21, 2011 have also been executed in respect of the said facilities.					
8.	Chinatrust Commercial Bank	Sanction letter dated January 19, 2010 and term loan agreement dated March 23, 2010, secured by deed of hypothecation of book-debts dated March 23, 2010, for short term loan of ₹ 60 million for working capital requirement purposes.	₹ 60.00 million	First <i>pari-passu</i> charge on total receivables of our Company and letter of comfort from our Promoter.	450 basis points below applicable bank lending rate.	Tenor of 12 months, such that short term loan will be for a maximum tenor of three months, and thereafter, principal shall be repaid and the facility will be available again for drawdown for another maximum period of three months. Availability of facility up to one month from the date of sanction.	<p>Our Company shall maintain at all times, a debt to equity ratio of 2.75:1.</p> <p>If any default is committed in respect of any indebtedness of our Company, it will be construed as an event of default by Chinatrust Commercial Bank with respect to the said borrowing.</p> <p>Our Company shall not, without the prior written consent of Chinatrust Commercial Bank:</p> <ul style="list-style-type: none"> <li>- Declare or pay dividends in respect of any fiscal if any event of default or potential event of default has occurred or is continuing.</li> <li>- Effect any merger, amalgamation, reconstruction or consolidation.</li> <li>- Create or permit to subsist any incremental encumbrance, mortgage or charge over all or any of the present or future properties or assets except as pre-existing.</li> <li>- Effect any material change in the management of our Company.</li> <li>- Permit any dilution of stake of our Promoter.</li> </ul>
9.	Dena Bank	Sanction letter dated	₹ 956.43 million	First <i>pari-passu</i>	11.00% per	Annual renewal of	Our Company shall not, without Dena Bank's prior

No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
		September 24, 2010 and short term loan agreement dated September 27, 2010 read with letter of general lien and undertakings and linkage letter, both dated September 27, 2010 for cash credit facility of ₹ 300 million and short term loan facility of ₹ 900 million, secured by agreement of hypothecation dated December 9, 2009 and unattested memorandum of modification of hypothecation agreement dated September 27, 2010, to be utilised towards meeting increased factoring business of existing clients, as well as prospective clients.		charge on all factoring receivables of our Company along with letter of comfort from our Promoter.	annum for cash credit facility and 10.00% for short term loan facility.	cash credit limit. Short term loan to be repaid after one year.	written permission: <ul style="list-style-type: none"> <li>- Create any mortgage, charge, lien or encumbrance of any kind on or over any property or undertaking (whether movable or immovable) and assets (including uncalled share capital or any part thereof) nor suffer any such mortgage, charge, lien or encumbrance to effect the same or any part thereof nor do or allow anything that may prejudice such security as is provided to Dena Bank.</li> <li>- Permit the Directors of our Company to withdraw their holding of capital in our Company.</li> <li>- Repay unsecured loans received from our Directors, or their relatives until all dues to Dena Bank are discharged.</li> <li>- Approach any other bank for any additional limits/bills limits/non-fund based limits until all dues to Dena bank are discharged.</li> <li>- Make any alteration to the existing capital base.</li> </ul>
10.	IndusInd Bank	Sanction letter dated September 17, 2010 for cash credit facility requirements, secured by composite agreement for hypothecation of book debts and receivables dated September 29,	₹ 406.25 million	First pari passu charge over the entire factoring receivables, present and future, of our Company along with a letter of comfort from our Promoter.	3.00% above applicable bank lending rate per annum for cash credit facility, and 2.40% above applicable bank	Cash credit facility valid until September 16, 2011, repayable on demand, with working capital demand loan with a tenor of a minimum of seven	Our Promoter shall continue to maintain the shareholding it maintained at the time of the sanction letter, dated September 17, 2010. <p>Additionally, our Company shall not, without the prior written consent of IndusInd Bank:</p> <ul style="list-style-type: none"> <li>- Effect any change in the capital structure of our Company.</li> <li>- Pledge shares held by our</li> </ul>

No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
		2010 and a letter of undertaking dated September 29, 2010, for an amount of ₹ 250 million with working capital demand loan sub-limit of equal amount and medium term loan of ₹ 250 million to meet working capital expenditure.			lending rate per annum for medium term loan facility.	days and a maximum of 180 days. Medium term loan available for a maximum of 90 days from September 17, 2010, for a tenor of a maximum of 24 months. Repayment in eight equal quarterly instalments.	<p>Promoter and Promoter Group beyond 10.00% of the holdings for raising any loan or for securitizing any loans or advances availed or to be availed by our Company from any bank or financial institution or lender.</p> <ul style="list-style-type: none"> <li>- Formulate any scheme of amalgamation or reconstitution.</li> <li>- Undertake any new project or scheme, unless the expenditure on such expansion is covered by net cash accruals after providing for dividends, investments or from long term funds received for financing such new projects.</li> <li>- Invest by share capital in or lend or advance funds to or place deposits with any other concern, except normal trade credit or security deposits in the usual course of business or advances to employees.</li> <li>- Enter into borrowing arrangements either secured or unsecured with any other bank, financial institution, borrower or otherwise save and except working capital facilities granted or to be granted by other consortium or member banks, under consortium or multiple banking arrangement and the term loans proposed to be obtained from financial institutions or banks for completion of the replacement-cum-modernization programme.</li> <li>- Undertake guarantee obligations on behalf of other companies or associates or affiliates.</li> <li>- Declare dividends for any year except out of profits relating to that year.</li> <li>- Withdraw monies brought in by partners or principal shareholders or directors or depositors.</li> <li>- Make any material change in our management set-up or in the shareholding pattern which has the effect</li> </ul>

No.	Name of Lender	Description of Documentation	Amount Outstanding as on May 31, 2011	Security	Interest	Repayment and Tenor	Significant Covenants
							of a possible change in management control. - Create any charges on any or all properties or assets.
11.	Oriental Bank of Commerce	Sanction letter dated August 31, 2010 with modification letter dated November 8, 2010 and common agreement dated December 10, 2010, secured by agreement of hypothecation of assets dated December 10, 2010 for short term loan of ₹ 250 million for meeting working capital requirements.	₹ 252.25 million, inclusive of interest accrued and dues.	First <i>pari-passu</i> charge by assignment of factoring receivables of our Company.	10.50% per annum	Repayable after 12 months from the date of first disbursement.	Our Company shall not, without the prior written consent of Oriental Bank of Commerce: - Change its constitution, including our Promoter, Directors or core management team, or undertake any merger or acquisition or amalgamation. - Undertake any new project or expansion. - Create or attempt or purport to create any mortgage, charge, pledge, hypothecation, lien or encumbrance on the hypothecated assets or remove or cause or permit secured assets to be removed from the premises of our Company. - Deal with any other bank in respect of any credit facility.

*\*Restrictive Covenants stipulated by our Promoter:*

- (i) Our Company shall, so long as any monies remain due and outstanding, notify our Promoter in writing of all acquisitions of immovable properties, and as soon as practicable thereafter, make out a marketable title to and charge such properties in favor of our Promoter by first charge.
- (ii) Our Company shall not, without the permission of our Promoter, create any mortgage, charge, lien or encumbrance on or over or affecting the same or any part thereof and also on or over or affecting our Company's understanding, property (whether movable or immovable) and assets (including uncalled capital) not charged to our Promoter or any part thereof except with information to our Promoter and to the extent it permits, nor suffer any mortgage, charge, lien or encumbrance to affect the same or any part thereof, nor do or allow anything that may prejudice the security for the term loan agreement.

*\*The General terms and conditions (No. GC-I-2010) applicable to financial assistance provided by IFCI stipulate that the terms and conditions of appointment of managing director or any other person holding substantial powers of management by whatever name called shall be subject to the approval of our Promoter. Further, unless our Promoter agrees, our Company shall not remove any person, by whatever name called, exercising substantial powers of management of the affairs of our Company at the time of execution of any loan agreement with our Promoter, or pay any commission or compensation in the event of loss of office to any such person unless all dues to our Promoter have been paid or recognize or register any transfer of shares in our Company's share capital made or to be made by our Promoter or its associates as may be specified. Additionally, our Company shall not, without the prior written consent of our Promoter:*

- (i) Undertake any new project, diversification, modernization or substantial expansion of any project.
- (ii) Issue any debentures, raise any loans, accept deposits from public, issue equity or preference capital, change its capital structure or create any charge on its assets or give any guarantees, except normal trade guarantees or temporary loans and advances granted to staff or contractors or suppliers in the ordinary course of business or to raising of unsecured loans, overdrafts, cash credit or other facilities from banks in the ordinary course of business.
- (iii) Pay any commission to our Promoter, Directors, managers or other persons for furnishing guarantees, counter-guarantees or indemnities or for undertaking any other liability in connection with any financial assistance obtained for or by our Company or in connection with any other obligation undertaken for or by our Company for the purposes of any project.
- (iv) Declare or pay any dividend to its shareholders during any financial year unless it has paid all dues to our Promoter up to the date on which the dividend is proposed to be declared or paid, or has made satisfactory provisions therefor. Further, our Company shall not declare dividend to equity shareholders in excess of 15%, or the average of the dividend paid in the three preceding years, whichever is higher.
- (v) Create or permit any company to become its subsidiary.
- (vi) Undertake or permit any merger, consolidation, re-organization, scheme of arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction.
- (vii) Make any investments by deposits, loans or share capital in any concern.



## B. Unsecured Borrowings Of Our Company

Set forth below is a summary of our unsecured borrowings as on May 31, 2011.

Name of Lender	Description of documentation	Amount outstanding as on May 31, 2011	Interest Rate	Repayment	Significant Covenants
IFCI	Sanction letter dated March 8, 2010 read with amendment letters dated February 1, 2011 and March 9, 2011 and rupee term loan agreement dated April 1, 2010, secured by deed of hypothecation dated April 1, 2010 for an amount of ₹ 500 million towards additional business carried out by our Company.	₹ 500.00 million	11.00% per annum, payable quarterly, subject to annual review and reset.	Repayable seven years from date of first drawal, subject to annual review.	See 'Restrictive Covenants Stipulated by our Promoter' <sup>#</sup> above.

## SECTION VI – LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, Directors, Promoter, or Group Entities and there are no defaults, non payment or overdue of statutory dues, over-dues to banks or financial institutions, rollover/re-scheduling of loans or any other liability, dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares of our Company defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic, civil or any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company.

Our Company, our Directors, our Promoter and/or our group entities have not been declared as wilful defaulters by the RBI, have not been debarred from dealing in securities and/or accessing capital markets by SEBI and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoter, our Group Entities or our Directors, that may have a material adverse effect on our business or financial position, nor, so far as we are aware, are there any such proceedings pending or threatened.

#### **Litigation involving the Promoter and Group Entities**

Except as stated below there is no (i) outstanding litigation against the Promoter and the Group Entities whose outcome could have a material adverse effect on the results of operations or financial condition of such entity; (ii) default to financial institutions or banks; (iii) non-payment of statutory dues and dues towards instrument holders such as debt instrument holders and fixed deposits, by the Promoter and the Group Entities; (iv) proceedings initiated for economic offences or civil offences (including the past cases, if found guilty), any disciplinary action taken by SEBI or any recognized stock exchange against the Promoter or the Group Entities; (v) default or litigation relating to lock-outs or strikes against the Promoter or the Group Entities; (vi) litigation against the Promoter or Group Entities involving violation of statutory regulations or alleging criminal offence; (vii) adverse finding in respect of the persons/entities connected with the Promoter or Group Entities in respect of compliance with securities laws; and (viii) past case in which penalties were imposed by relevant authorities.

With respect to litigation information on the Promoter and Group Entities disclosed pursuant to sub clause (i) above, we have included pending matters which, in such entities' reasonable judgment, if determined adversely, may result in a material adverse effect on the results of operations or financial condition of such entity. We define "material and adverse effect on the results of operations or financial position" of such entity as pending litigation: (a) where the aggregate amount involved in any individual litigation exceeds 1% of such entity's revenues as of and for the year ended March 31, 2011, or, where the audited financial statements for such entity are unavailable as of and for the year ended March 31, 2011, such entity's revenues as of and for the year ended March 31, 2010; (b) where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in a single case individually may not exceed 1% of the revenues as of and for the year ended March 31, 2011 for such entity, if similar cases put together collectively exceed 1% of the revenues of such entity as of and for the year ended March 31, 2011, or, where the audited financial statements for such entity are unavailable as of and for the year ended March 31, 2011, such entity's revenues as of and for the year ended March 31, 2010; and (c) any other litigation which could reasonably be expected to result in a material and adverse effect on their respective business as a whole. Further, litigation information in respect of the Promoter and Group Entities involving proceedings under the N.I. Act, civil proceedings for recovery and taxation disputes has been provided in a consolidated manner.

#### **A. CONTINGENT LIABILITIES NOT PROVIDED FOR:**

For information on our contingent liabilities not provided for as on March 31, 2011, see "*Financial Statements*" on page 102.

#### **B. LITIGATION INVOLVING OUR COMPANY**

##### *Litigation against our Company*

##### *Income Tax Disputes*

There are four income tax disputes pending against our Company involving an aggregate amount of ₹ 2.90 million.

#### Assessment Year 2002-2003

1. The Deputy Commissioner of Income Tax (the “**DCIT**”), Circle 11(1), New Delhi passed an assessment order dated June 29, 2007 against our Company for the assessment year 2002-2003 disallowing deductions of depreciation claimed on capitalisation of cost of improvements and renovations made on leasehold premises, electrical fittings and assets not utilised during the assessment year 2002-2003 amounting to ₹ 0.64 million. A demand of ₹ 0.37 million was imposed on our Company. Penalty proceedings were also initiated pursuant to a notice dated June 29, 2007. Our Company filed an appeal before the Commissioner of Income Tax (Appeals) (the “**CIT(A)**”)–XIII, New Delhi against the assessment order dated June 29, 2007. The CIT(A)-XIII, New Delhi passed an order dated February 14, 2008 partly allowing the appeal and deleting the disallowance made of ₹ 0.41 million claimed as depreciation on capitalisation of cost of improvements and renovations made on leasehold premises. Our Company filed further appeal (No. 1282/DEL/2008) before the Income Tax Appellate Tribunal, New Delhi against such order dated February 14, 2008, which passed an order dated February 27, 2009 deleting the disallowance on electrical fittings, amounting to ₹ 0.17 million. Our Company is presently awaiting such order dated February 27, 2009 being effected.
2. The DCIT, Circle 11(1), New Delhi passed an assessment order dated February 28, 2005 against our Company for the assessment year 2002-2003, disallowing deduction claimed on expenses towards fee for technical services of ₹ 2.28 million. A demand of ₹ 1.39 million was imposed on our Company. Our Company has filed an appeal (No. 187/2005-2006) before the CIT(A)-XIV, New Delhi against the assessment order dated February 28, 2005.

#### Assessment Year 2004-2005

3. The DCIT, Circle 11(1), New Delhi passed an assessment order dated November 29, 2006 against our Company for the assessment year 2004-2005, disallowing deductions claimed expenses towards fee for technical services of ₹ 1.52 million paid towards import factor commission to an overseas factoring agency, ₹ 0.21 million paid towards agency commission and ₹ 0.31 million paid to Hill Price Division, UK towards annual maintenance contract for online support. A demand of ₹ 0.97 million was imposed on our Company. Our Company has filed an appeal (No. 307/2006-07) before the CIT(A)-XIII, New Delhi against the assessment order dated November 29, 2006.

#### Assessment Year 2007-2008

4. The Assistant Commissioner of Income Tax (the “**ACIT**”), Circle 11(1), New Delhi passed an assessment order dated December 7, 2009 against our Company for the assessment year 2007-2008, disallowing deductions claimed of an amount of ₹ 19,525 to the assessable income of our Company on account of disallowance of excess depreciation claimed on printers and an amount of ₹ 0.42 million on account of provision for earned leave made during the previous year, which had not been paid at the time of filing the return. A demand of ₹ 0.17 million was imposed on our Company. Our Company has filed an appeal (no. 447/2009-10) before the CIT(A)-XII, New Delhi against the assessment order dated December 7, 2009.

#### Litigation by our Company

##### *Criminal Proceedings*

There are 16 criminal proceedings that have been initiated by our Company. All of these proceedings involve the dishonor of cheques provided to our Company by its customers and other parties.

1. Our Company filed three criminal complaints dated April 26, 2004 before the Chief Metropolitan Magistrate, Delhi against Fer Auto (India) Private Limited and its directors under Section 138 read with Section 141 of the N.I. Act, alleging that four cheques numbered for an aggregate amount of ₹ 1.52 million, which were issued as part payment towards dues payable to our Company pursuant to a factoring agreement dated January 19, 1999 between our Company and Fer Auto (India) Private Limited, were dishonored on grounds of insufficiency of funds. Our Company was intimated of the dishonor of these

cheques on March 6, 2004 and March 9, 2004 and issued statutory notices of demand on March 10, 2004, March 13, 2004 and March 15, 2004. As payment was not made within the statutorily stipulated period of 15 days from the date of such notices of demand, our Company has filed the present complaints.

2. Our Company filed a criminal complaint (No. 1231/1/2002) before the Additional Chief Metropolitan Magistrate, Delhi against Brown Kraft Industries Limited and its directors, under Section 138 read with Section 142 of the N.I. Act alleging that three cheques for an aggregate amount of ₹ 4.04 million, provided by Brown Kraft Industries Limited pursuant to a factoring agreement dated July 31, 2001 between our Company and Brown Kraft Industries Limited, were dishonored on the basis of the amount of such cheques exceeding the amount arranged by Brown Kraft Industries Limited with the payer bank. Our Company had attempted to encash such cheques on such debtors assigned for factoring by Brown Kraft Industries Limited, namely Roofit Industries Limited and Sun Earth Ceramics Limited, being irregular in making payments to our Company from January 2002 onwards, and other defaults on the part of Brown Kraft Industries Limited. Our Company received intimation of the dishonor of these cheques on August 10, 2002. Statutory notices of demand were sent on August 21, 2002 and on August 22, 2002 and were received on August 26, 2002. As no payment was made within the statutorily stipulated time period of 15 days, the present complaint has been filed. Mukesh Panjwani, a director of Brown Kraft Industries Limited, has filed a criminal miscellaneous application (No. 574 of 2006) before the High Court of New Delhi under Section 482 of the Criminal Procedure Code for quashing of proceedings under complaint case (No.1231/1/2002).
3. Our company filed two criminal complaints (No. 378/2010 and No. 380 of 2010) before the Additional Chief Metropolitan Magistrate, Delhi against Daily Life Retail & Trading Private Limited and its directors under Section 138 read with Section 141 of the N.I. Act, alleging that seven cheques for an aggregate amount of ₹ 18.00 million, which were provided as part payment towards dues payable to our Company pursuant to a factoring agreement dated July 15, 2008 between our Company and Daily Life Retail & Trading Private Limited, had been dishonored on the grounds of closure of accounts. Our Company was intimated of the dishonor of these cheques on July 16, 2010. Accordingly, two statutory notices of demand dated July 30, 2010 were issued and as no payment was made within the statutorily stipulated time period of 15 days, the present complaints have been filed.
4. Our Company filed two criminal complaints (No. 267/2011 and 268/2011) before the Additional Chief Metropolitan Magistrate, Delhi against Krish International Private Limited and its directors under Section 138 read with Section 141 of the N.I. Act, alleging that Krish International Private Limited had issued six cheques, for an aggregate amount of ₹ 30 million as part payment towards dues payable to our Company pursuant to a factoring agreement dated February 18, 2010 entered into between our Company and Krish International Private Limited, which were dishonored on the grounds of their exceeding arrangements made. Our Company received intimation of the dishonor of these cheques on December 16, 2010. Our Company issued statutory notices of demand dated January 17, 2011 and as no payment was made within the statutorily stipulated time period of 15 days, the present complaint has been filed.
5. Our Company filed two criminal complaints (No. 3657/1/2011 and 1498/2011) before the Additional Chief Metropolitan Magistrate, Delhi against Koutons Retail India Limited and its directors under Section 138 read with Section 141 of the N.I. Act alleging that pursuant to a factoring agreement dated February 18, 2010 between our Company and Krish International Private Limited, our Company had factored invoices raised by Krish International Private Limited on Koutons Retail India Limited. Towards repayment against such invoices, Koutons Retail India Limited issued five cheques to our Company for an aggregate amount of ₹ 18.02 million, which were dishonored on the grounds of insufficiency of funds, intimation of which was received by our Company on November 12, 2010 and November 15, 2010. Two statutory notices of demand dated December 7, 2010 were issued by our Company, and as no payment was made within the statutorily stipulated time period of 15 days, the present complaints have been filed.
6. Our Company filed a criminal complaint (No. 956/01/2004, renumbered as 6094/1/2009) before the Chief Metropolitan Magistrate, Delhi under Section 138 read with Section 141 of the N.I. Act against Katyani Food & Beverages Private Limited and its directors, alleging that Katyani Food & Beverage Limited had issued a cheque for an amount of ₹ 1.00 million as part payment towards dues payable to our Company pursuant to a factoring agreement dated October 4, 1999 between our Company and Katyani Food & Beverage Limited, which had been dishonored on the grounds of insufficiency of funds. Our Company received intimation of the dishonor of these cheques on March 12, 2004. Statutory notice of

demand dated March 16, 2004 was issued by our Company, and as no payment was made within the statutorily stipulated time period of 15 days, the present complaint has been filed.

7. Our Company filed five criminal complaints dated February 18, 2011 before the Additional Chief Metropolitan Magistrate, Delhi under Section 138 read with Section 141 and Section 142 of the N.I. Act against Speck Systems Limited and its directors, alleging that Speck Systems Limited had provided 14 cheques for an aggregate amount of ₹ 104.02 million as part payment towards dues payable to our Company pursuant to a factoring agreement dated December 18, 2008, which were dishonored on the grounds of insufficiency of funds. Our Company received intimation of the dishonor of these cheques on December 18, 2010, and issued four statutory notices of demand dated January 17, 2011 and another statutory notice dated January 4, 2011. As no payment was made within the statutorily stipulated time period of 15 days, the present complaints have been filed.

#### *Proceedings under the Companies Act*

Our Company filed a company petition (No. 22 of 2011) before the High Court of Andhra Pradesh against Speck Systems Limited seeking an order directing winding-up of Speck Systems Limited, on the grounds that Speck Systems Limited had continually defaulted in repayment of its dues towards facilities amounting to ₹ 104.02 million provided by our Company pursuant to factoring arrangements with Speck Systems Limited. Our Company has alleged that the total outstanding amount due from Speck Systems Limited inclusive of interest and penal interest is ₹ 114.41 million, and that Speck Systems Limited is financially incapable of repaying its dues towards our Company.

### **C. LITIGATION INVOLVING OUR PROMOTER**

#### Litigation against our Promoter

##### *Income Tax Disputes*

There are 16 income tax proceedings pending at various levels of adjudication for various assessment years against our Promoter, which involve an aggregate amount of ₹ 94,179.82 million.

##### *Interest Tax Disputes*

There are four interest tax proceedings pending at various levels of adjudication for various assessment years, against our Promoter, which involve an aggregate amount of ₹ 4,471.30 million.

#### Litigation by our Promoter

##### *Recovery Proceedings*

There are 41 proceedings for recovery of debts initiated by our Promoter against various parties, which are at various stages of adjudication before various debt recovery tribunals, debt recovery appellate tribunals and civil courts and high courts in India. In certain of these proceedings, parallel proceedings under the SARFAESI Act have also been initiated. Further, in certain proceedings, references have been made before various benches of the Board of Industrial and Financial Reconstruction (“BIFR”) in respect of debtors who are unable to repay their dues towards our Promoter. Partial recovery has been effected in certain proceedings pursuant to one-time-settlement schemes sanctioned by our Promoter. Criminal proceedings have also been initiated in respect of such recovery proceedings, pursuant to circumstances including the debtors or guarantors absconding. These recovery proceedings involve an aggregate amount of ₹ 45,989.88 million.

##### *Criminal Proceedings*

There are three criminal proceedings initiated by our Promoter before the District Court, Saket against various parties.

1. Our Promoter filed a criminal complaint in May 2011 and an application under Section 156(3) of the Criminal Procedure Code, 1973 before the District Court, Saket, New Delhi for registration of first information report (“F.I.R.”) against Murli Industries Limited, alleging that Murli Industries Limited had

inflated the value of their shares pledged with our Promoter as security for facilities sanctioned through dummy companies during the period between 2007 and 2010.

2. Our Promoter filed a criminal complaint dated in 2010 and an application under Section 156(3) of the Criminal Procedure Code, 1973 before the District Court, Saket, New Delhi for registration of F.I.R. against the directors of Sterling Holidays Limited, alleging that such directors had fraudulently diverted funds received through facilities sanctioned by our Promoter into sister concerns, and thereafter declared themselves as unable to repay such facilities.
3. Our Promoter filed a criminal complaint dated in 2010 and an application under Section 156(3) of the Criminal Procedure Code, 1973 before the District Court, Saket, New Delhi for registration of F.I.R. against a director of Bharat Steel Tubes Limited, alleging dilution of security hypothecated with our Promoter towards certain facilities sanctioned by our Promoter, and creation of third party rights over such secured property.

## **D. LITIGATION INVOLVING OUR GROUP ENTITIES**

### **1. TFCI**

#### Litigation against TFCI

Nil

#### Litigation by TFCI

##### *Proceedings under the N.I. Act*

TFCI filed a criminal complaint dated July 13, 1995 before the District Court, Saket against M.S. Shoes East Limited under Section 138 of the N.I. Act, on the grounds of dishonor of cheque presented to TFCI of a value of ₹ 52.30 million against inter-corporate deposit of ₹ 50.00 million granted by TFCI.

##### *Recovery Proceedings*

There are 12 proceedings for recovery of debts initiated by TFCI against various parties, which are at various stages of adjudication before various debt recovery tribunals, civil courts and high courts in India. In certain of these proceedings, parallel proceedings under the SARFAESI Act have also been initiated. Partial recovery has been effected in certain proceedings pursuant to one-time-settlement schemes sanctioned by TFCI. Criminal proceedings have also been initiated in respect of such recovery proceedings, pursuant to circumstances including the debtors or guarantors absconding. Further, in certain proceedings, references have been made before various benches of the BIFR in respect of debtors who are unable to repay their dues. These recovery proceedings involve an aggregate amount of ₹ 1,070.59 million.

### **2. ACRE**

#### Litigation against ACRE

Nil

#### Litigation by ACRE

##### *Recovery Proceedings*

There are six proceedings for recovery of debts, initiated by ACRE against various parties, which are at various stages of adjudication before various debt recovery tribunals in India. In certain of these proceedings, parallel proceedings under the SARFAESI Act have also been initiated. Partial recovery has been effected in certain proceedings pursuant to one-time-settlement schemes sanctioned by ACRE. Criminal proceedings have also been initiated in respect of such recovery proceedings, pursuant to circumstances including the debtors or guarantors absconding. These recovery proceedings involve an aggregate amount of ₹ 382.24 million.

### **3. MPCON**



### Litigation against MPCON

#### *Rent Proceedings*

The Madhya Pradesh Housing Board imposed a penalty of ₹ 1.88 million as arrears of rent payable by MPCON towards their prior office situated at Bhopal. Aggrieved, MPCON filed its reply against such penalty.

### Litigation by MPCON

Nil

## **4. NEDFI**

### Litigation against NEDFI

#### *Income Tax Disputes*

There is one income tax dispute pending against NEDFI involving an imposed demand of ₹ 24.82 million.

### Litigation by NEDFI

#### *Recovery Proceedings*

There are 37 proceedings for recovery of debts, initiated by NEDFI against various parties, which are at various stages of adjudication before various courts and other authorities in India, involving an aggregate amount of ₹ 278.76 million.

#### *Proceedings under the N.I. Act*

There are 10 proceedings initiated by NEDFI against various parties for dishonor of cheques involving an aggregate amount of ₹ 0.29 million, before various courts in India. These cases typically involve the dishonor of cheques presented as payment to NEDFI towards repayment of dues.

## **5. MITCON**

### Litigation against MITCON

Nil

### Litigation by MITCON

#### *Proceedings under the N.I. Act*

MITCON has initiated two proceedings under Section 138 of the N.I. Act for dishonor of cheques of aggregate value of ₹ 1.25 million against certain parties.

## **6. ITSL**

### Litigation against ITSL

#### *Civil Proceedings*

Balmer Lawrie and Company Limited and Balmer Lawrie Veer Leer Limited filed a civil suit (No. 107/2011) against ITSL and ICICI Trusteeship Services Limited and ICICI Venture Funds Management Company Limited before the High Court of Kolkata, seeking recovery of ₹ 79.00 million in relation to sale of 14.55% the equity shares of Transafe Services Limited which were in the name of WITECO Limited (which has since merged with ITSL). It is alleged that ITSL had falsified their books of accounts, on the basis of which equity shares were purchased at ₹ 16 per equity share, whereas the book value of such equity shares ought to have been lower, resulting in loss to Balmer Lawrie and Company Limited and Balmer Lawrie Veer Leer Limited.



Litigation by ITSL

Nil

**7. IIDL**

Litigation against IIDL

The Assistant Inspector General (Registration and Stamp), Ghaziabad issued a notice against IIDL alleging short-payment of stamp duty on registration of property, demanding payment of additional stamp duty of ₹ 17.73 million. IIDL has filed an appeal (No. 21/2010) before the Board of Revenue, Meerut against such notice.

Litigation by IIDL

Nil

**8. UPICO**

Litigation against UPICO

*Arbitration Proceedings*

Vedanta Management Services Limited filed an arbitration application (No. 340 of 2009) before the High Court of Delhi against UPICO seeking an amount of ₹ 186.50 million as dues payable to Vedanta Management Services Limited.

Litigation by UPICO

Nil

**9. ILD**

Litigation against ILD

*Criminal Proceedings*

There are two criminal proceedings pending against ILD in relation to labour and environmental matters respectively. These matters are presently pending before the High Court of Rajasthan and the Additional Chief Metropolitan Magistrate-XIII, Bassi, Jaipur.

1. The Forest Department, Rajasthan filed four F.I.R.s (No. 280/2003, 281/2003, 282/2003 and 283/2003) against certain officials of the ILD alleging illegal felling of trees during the construction of the campus of ILD. Accordingly, criminal case has been initiated before the Additional Chief Metropolitan Magistrate-XIII, Bassi, Jaipur.
2. Jugesh Aspal filed three criminal applications before the Judicial Magistrate (First Class), No. 11, Jaipur City, Jaipur, against certain officials of ILD, alleging that they had made false representations before the High Court of Rajasthan in respect of writ petition filed by Jugesh Aspal seeking regularization of his services. Pursuant to these criminal application, F.I.R. (No. 230/2006) was registered with the police station, Ashok Nagar, Jaipur. The police authorities submitted their report to the Judicial Magistrate (First Class), No. 11, Jaipur City, Jaipur, stating that no evidence was found against these officials of ILD. Jugesh Aspal filed an application (No. 139/2006) before the Judicial Magistrate (First Class), No. 11, Jaipur City, Jaipur seeking re-investigation, which was granted pursuant to order dated November 6, 2006. ILD filed criminal miscellaneous petitions (No. 9/2007 and 10/2007) before the High Court of Rajasthan for quashing of F.I.R. (No. 230/2006) and order dated November 6, 2006. The High Court of Rajasthan passed orders dated January 17, 2007 and February 21, 2007 granting and confirming interim stay on operation of order dated November 6, 2006.

Litigation by ILD

Nil

## 10. SHCIL

### Litigation against SHCIL

#### *Criminal Proceedings*

There are five criminal proceedings pending against SHCIL that have been initiated by various parties. These proceedings are pending before various courts.

1. Chandrasekhar Sahu filed a F.I.R. (No. 2558/2009) with the police station, Kharvel Nagar, Bhubaneswar, pursuant to which criminal complaint was filed before the Judicial Magistrate (Senior Division), Bhubaneswar, against certain officials of SHCIL alleging that the actions of such officials had caused loss during transactions carried out by SHCIL on behalf of Chandrasekhar Sahu.
2. Paras Nigam filed a F.I.R. (No. 245/2001) with the police station, Tukoganj pursuant to which criminal case (No. 1588/2003) was initiated before the Chief Judicial Magistrate, Indore against certain officials of SHCIL alleging that transfer of 300 shares of Silverline Tech Limited held by Paras Nigam had been transferred to a third party without receiving instructions from Paras Nigam.
3. Surechandra Dhupar filed a F.I.R. (No. 462 of 2006) before the police station, Paharganj against SHCIL alleging that shares in the beneficiary owner account held by Surechandra Dhupar with SHCIL have been withdrawn and transferred by an employee of Surechandra Dhupar in connivance with certain officials of SHCIL.
4. Connected to civil suit (No. 190/2001) described below under “*-Litigation by SHCIL*”, IndusInd Bank filed a criminal complaint (No. C/3826/2001) before the Chief Metropolitan Magistrate, Kolkata under section 156(3) of the Criminal Procedure Code, 1973 against SHCIL and Harish Chandra Biyani.
5. Indu Devi Tarapuriah filed a criminal complaint (No. 898 of 2008) before the Metropolitan Magistrate, before the High Court of Kolkata against SHCIL and certain of its directors, and Punjab National Bank, alleging that certain shares held by Indu Devi Tarapuriah, in respect of which SHCIL was acting as depository participant for Punjab National Bank, were fraudulently pledged with Punjab National Bank. SHCIL filed an application (No. 1846-1853 of 2009) before the High Court of Kolkata seeking quashing of the proceedings pursuant to criminal complaint (No. 898 of 2008).

#### *Property Tax Disputes*

Navi Mumbai Municipal Corporation issued a notice in October 2002 demanding arrears of property tax of ₹ 31.41 million on SHCIL, on the grounds that the ratable value SHCIL’s property situated at Mahape had been retrospectively revised with effect from July 1, 1976. SHCIL filed a civil suit (No. 415/2004) before the Civil Judge, Thane against such notice in October 2002. The Civil Judge, Thane issued an injunction on recovery of arrears until disposal of civil suit (No. 415/2004)

#### *Proceedings under the N.I. Act*

Connected to civil suit (No. 190/2001) described below under “*-Litigation by SHCIL*”, IndusInd Bank has filed a complaint (No. 3526/2001) under section 138 of the N.I. Act against SHCIL alleging dishonor of three cheques amounting to ₹ 244.00 million before the Metropolitan Magistrate, Kolkata.

#### *Recovery Proceedings*

Connected to civil suit (No. 190/2001) described below under “*-Litigation by SHCIL*”, IndusInd Bank has initiated recovery proceedings through two original applications (No. 218/2001 and No. 86/2010) before the relevant debt recovery tribunal, seeking recovery of ₹ 244.00 million.

### Litigation by SHCIL

### *Criminal Proceedings*

There are four criminal proceedings initiated by SHCIL, including one F.I.R. against various individuals. These proceedings are pending before various courts.

1. SHCIL filed a F.I.R. (No. 118 of 2009) with the police station, Kohla Nagar against Rahul and Deepak, alleging harassment by Rahul and Deepak of certain officials of SHCIL. It is alleged by SHCIL that SHCIL had received delivery instructions for sale for an off-market transaction from one of its clients, but, upon inquiry had not received confirmation and had accordingly refused such transfer. Rahul and Deepak, the recipients in such proposed transaction had thereafter harassed certain officials of SHCIL.
2. SHCIL filed a F.I.R. in December, 2000 with the police station, Hazratganj against Nakshab Zia alleging fraudulent transfer of shares from the account of a client of SHCIL to the account of Nakshab Zia by one Sunil Maheshwari. Criminal proceedings have been initiated before the Chief Judicial Magistrate, Lucknow.
3. Connected to civil suit (No. 190/2001) described below, SHCIL filed two criminal complaints (No. 4607/2001 and No. C-4134/2001) under section 156(3) of the Code of Criminal Procedure, 1973, before the Metropolitan Magistrate, Kolkata alleging criminal conspiracy and criminal breach of trust against Harish Chandra Biyani.

### *Proceedings under the N.I. Act*

Connected to civil suit (No. 190/2001) described below, SHCIL filed two complaints (No. 2305/2001 and 796/2001) under the N.I. Act against Harish Chandra Biyani and another, before the Metropolitan Magistrate, Kolkata and the Metropolitan Magistrate, Mumbai alleging dishonor of cheques for an aggregate value of ₹ 80.40 million.

### *Civil Proceedings*

1. SHCIL filed a civil suit (No. 190/2001) before the High Court of Kolkata against IndusInd Bank seeking directions that three post-dated cheques amounting to ₹ 0.72 million issued by SHCIL in favor of Harish Chandra Biyani, for the sale of certain equity shares of DSQ Industries Limited pursuant to cash-on-payout scheme of SHCIL, be declared as null and void. Harish Chandra Biyani had presented these cheques to prior to pay-out, and as per instructions of SHCIL, had not been honored.
2. Connected to civil suit (No. 190/2001) described above, SHCIL filed two civil suits (No. 339 of 2003 and No. 61 of 2004) before the High Court of Kolkata against the Kolkata Stock Exchange and Harish Chandra Biyani seeking money decrees aggregating to ₹321.20 million.

## **11. HARDICON**

### Litigation against HARDICON

Nil

### Litigation by HARDICON

### *Criminal Proceedings*

HARDICON filed a complaint (No. 41671/1 dated December 12, 2008) before the District Court, Saket against N.R. Sharma, alleging that N.R. Sharma had written defamatory letters to various agencies against HARDICON.

## **12. IFCI Venture**

### Litigation against IFCI Venture

Nil

### Litigation by IFCI Venture

#### *Proceedings under the N.I. Act*

There is one proceeding initiated by IFCI Venture against Speck Systems Limited for dishonor of cheques involving an aggregate amount of ₹ 5.23 million, before the Sessions Court, New Delhi involving the dishonor of cheque presented as payment to IFCI Venture towards repayment of dues by Speck Systems Limited.

#### *Recovery Proceedings*

There are 15 proceedings for recovery of debts initiated by IFCI Venture against various parties, which are at various stages of adjudication before various civil courts and high courts in India. In certain of these proceedings, parallel proceedings under the SARFAESI Act have also been initiated. Partial recovery has been effected in certain proceedings pursuant to one-time-settlement schemes sanctioned by IFCI Venture. Criminal proceedings have also been initiated in respect of such recovery proceedings, pursuant to circumstances including the debtors or guarantors absconding. These recovery proceedings involve an aggregate amount of ₹ 154.89 million.

### **13. ARPL**

#### Litigation against ARPL

Nil

#### Litigation by ARPL

Nil

### **14. BCIL**

#### Litigation against BCIL

Nil

#### Litigation by BCIL

Nil

### **15. EDI**

#### Litigation against EDI

Nil

#### Litigation by EDI

Nil

### **16. GITCO**

#### Litigation against GITCO

Nil

#### Litigation by GITCO

Nil

### **17. HIMCON**

Litigation against HIMCON

Nil

Litigation by HIMCON

Nil

**18. IFIN**

Litigation against IFIN

Nil

Litigation by IFIN

Nil

**19. IFIN Commodities**

Litigation against IFIN Commodities

Nil

Litigation by IFIN Commodities

Nil

**20. IFIN Credit**

Litigation against IFIN Credit

Nil

Litigation by IFIN Credit

Nil

**21. ITCOT**

Litigation against ITCOT

Nil

Litigation by ITCOT

Nil

**22. KITCO**

Litigation against KITCO

Nil

Litigation by KITCO

Nil

**23. MDI**

Litigation against MDI

Nil

Litigation by MDI

Nil

**24. NITCON**

Litigation against NITCON

Nil

Litigation by NITCON

Nil

**25. NEITCO**

Litigation against NEITCO

Nil

Litigation by NEITCO

Nil

**26. NSIPL**

Litigation against NSIPL

Nil

Litigation by NSIPL

Nil

**27. RGVN**

Litigation against RGVN

Nil

Litigation by RGVN

Nil

**E. LITIGATION INVOLVING OUR DIRECTORS**

None of our Directors are involved in any outstanding litigation.

**F. AMOUNT OWED TO SMALL SCALE UNDERTAKINGS/CREDITORS**

Our Company does not owe any amount to any micro, small and medium enterprises or other creditors which has been outstanding for more than 30 days except in the ordinary course of business as of the date of this Draft Red Herring Prospectus. For more information, see “*Financial Statements*” on page 102.

**G. MATERIAL DEVELOPMENTS**

Except as stated in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on page 130, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay our liabilities within the next 12 months.



## GOVERNMENT AND OTHER APPROVALS

*We have received the necessary consents, licenses, permissions and approvals from the GoI and various governmental agencies required for our present business and except as disclosed in this Draft Red Herring Prospectus no further material approvals are required for carrying on our present business operations.*

*The main objects clause of the Memorandum of Association and objects incidental to the main objects enable our Company to undertake its existing activities.*

### A. Approvals Related to the Issue

1. The Board has, pursuant to its resolution dated June 28, 2011, authorised this Issue subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act;
2. The shareholders of our Company have, pursuant to their resolution dated July 12, 2011 under Section 81(1)(A) of the Companies Act, authorised this Issue;
3. In-principle approval from the NSE dated [●]; and
4. In-principle approval from the BSE dated [●].

### B. Approvals for our Business

The following are the approvals received by our Company for its business

Description	Registration/Reference No.	Date of Issue	Date of Expiry
Registration under Section 45 IA of the RBI Act, as an NBFC	B-14.01248	June 3, 2009	Not Applicable
Permanent Account Number ("PAN") issued by Income Tax Department	AAACF0937E	December 14, 1995	Not Applicable
Service Tax Code	AAACF0937EST001	March 27, 2009	Not Applicable
Tax Deduction Number issued by the Income Tax Department	DELF02457A	February 9, 2009	Valid until cancelled
Employee State Insurance Registration	11-46568-101/Zone-6/98	June 4, 1998	Valid until cancelled
Registration for Employees Provident Fund	Code No. DL/19562	January 5, 1998. with effect from September 22, 1997	Not applicable

### C. Pending Applications

- Our Company applied on January 5, 2011 for renewal of license (No. 2/2006) as authorised dealer, in order to undertake international factoring services, which expired on November 30, 2010.
- Our Company has applied for a trademark on July 26, 2011 of its logo with the Trademarks Registry, New Delhi.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

- Our Board of Directors has, pursuant to its resolution dated June 28, 2011, authorised the Issue, subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.
- Our shareholders have, pursuant to a resolution dated July 12, 2011, under Section 81(1A) of the Companies Act, authorised the Issue.
- We have received in-principle approvals from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated [●] and [●], respectively. [●] is the Designated Stock Exchange.

### Prohibition by SEBI, the RBI or Governmental Authorities

Our Company, our Promoter, our Promoter Group, our Directors and our Group Entities have not been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other governmental authorities. Neither our Promoter, nor any of our Directors was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI or any other governmental authorities.

There are no violations of securities laws committed by any of them in the past or pending against them.

Neither our Company, nor our Promoter, Group Entities, nor our Directors, have been detained as wilful defaulters by the RBI or any other governmental authorities. For more information, see “**Risk Factors**” and “**Our Promoter and Group Entities**” on pages xii and 90, respectively.

### Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26(1) of the SEBI ICDR Regulations as described below:

- Our Company has had net tangible assets of at least ₹ 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets;
- Our Company has a track record of distributable profits in terms of Section 205 of the Companies Act for at least three of the immediately preceding five years;
- Our Company has a net worth of at least ₹ 10 million in each of the three preceding full years (of 12 months each);
- The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of Issue size is not expected to exceed five times the pre-Issue net worth of our Company as per the audited balance sheet of the preceding financial year; and
- Our Company has not changed its name within the last one year.

The net profit, net worth, net tangible assets and monetary assets derived from the audited financial statements, as at and for the last five financial years ended March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007 is set forth below:

(₹ in million)					
Particulars	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Net tangible assets*	8,781.06	2,998.04	1,225.23	283.23	235.32
Monetary assets	243.83	16.67	131.98	37.07	10.01
Monetary assets as a percentage of the net tangible assets	2.78%	0.56%	10.77%	13.09%	4.25%
Net profit	200.68	110.39	24.33	6.01	7.09
Net worth	1,225.58	1,089.46	979.07	240.07	234.06

\* ‘Net tangible assets’ mean the sum of all net assets of the Issuer, excluding intangible assets as defined in Accounting Standard 26 issued by the Institute of Chartered Accountants of India.

Hence, our Company is eligible under Regulation 26(1) to undertake the Issue. Further, in accordance with Regulation 26(4) of the SEBI ICDR Regulations, our Company shall ensure that the number of Allottees under the Issue shall be not less than 1,000, otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days from the date our Company becomes liable to repay it, then our Company and every officer in default shall, on and from expiry of eight days, be liable to repay such application money, with interest as prescribed under Section 73 of the Companies Act.

#### **Compliance with Part A of Schedule VIII of the SEBI ICDR Regulations**

Our Company is in compliance with the provisions specified in Part A of Schedule VIII of the SEBI ICDR Regulations. No exemption from eligibility norms has been sought under Regulation 109 of the SEBI ICDR Regulations, with respect to the Issue. Further, our Company has not been formed pursuant to the conversion of a partnership firm into a company.

#### **Disclaimer Clause of SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ENAM SECURITIES PRIVATE LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ENAM SECURITIES PRIVATE LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JULY 27, 2011 WHICH READS AS FOLLOWS:**

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION SUCH AS COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
  - A. THE DRAFT RED HERRING PROSPECTUS FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - B. ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT OF INDIA 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 INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE SEBI AND UNTIL DATE SUCH REGISTRATION IS VALID;
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOTED FOR COMPLIANCE;
5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS;
6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS;
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE – NOT APPLICABLE;
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION;
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION – NOTED FOR COMPLIANCE;
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMATERIALIZED OR PHYSICAL MODE – NOT APPLICABLE;

11. WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION;
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - A. AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND
  - B. AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE;
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S EXPERIENCE, ETC;
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BRLM AND ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

#### **Caution - Disclaimer from our Company and the BRLM**

Our Company, our Directors 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 instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, [www.ifcifactors.com](http://www.ifcifactors.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 Issue Agreement entered into between the BRLM and the Company dated July 27, 2011, and the Underwriting Agreement to be entered into among the Underwriters and our Company.

All information shall be made available by our Company and 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 centres or elsewhere.

Our Company and the Syndicate shall not be liable to the Bidders for any failure in uploading the Bids, due to faults in any software/hardware system, or otherwise.

The BRLM and its respective associates may engage in transactions with, and perform services for our Company, our Group Entities and our respective affiliates and associates in the ordinary course of business, and have engaged, or may in the future engage in commercial banking and investment banking transactions with our Company or our Companies/Group Entities, affiliates or associates for which they have received, and may in future receive compensation.

Investors that bid in the Issue will be required to confirm, and will be deemed to have represented to our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares, and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

### **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to permission from the RBI), or trusts under the applicable trust laws, and who are authorised under their constitution to hold and invest in equity shares, permitted insurance companies and pension funds and to permitted non-residents including Eligible NRIs and Foreign Institutional Investors (“FIIs”), along with other eligible foreign investors. This Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby, in any 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 New Delhi, 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 the Draft Red Herring Prospectus was filed with SEBI for the purpose of receiving its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus, nor any sale hereunder, shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

### **Disclaimer Clause of the BSE**

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the BSE. The disclaimer clause as intimated by the BSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

### **Disclaimer Clause of the NSE**



As required, a copy of this Draft Red Herring Prospectus shall be submitted to the NSE. The disclaimer clause as intimated by the NSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

### **Filing**

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Securities and Exchange Board of India, SEBI Bhawan, C – 4A, “G” Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC situated at the address mentioned below.

### **The Registrar of Companies, National Capital Territory of Delhi and Haryana**

4<sup>th</sup> Floor, IFCI Tower  
61, Nehru Place  
New Delhi 110 019  
India

### **Listing**

Application has been made to the Stock Exchanges for obtaining permission for listing of the Equity Shares being offered and sold in the Issue. [●] is the Designated Stock Exchange, with which the Basis of Allotment will be finalized for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by the Stock Exchanges, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days from the date our Company becomes liable to repay it, then our Company and every officer in default shall, on and from expiry of eight days, be liable to repay such application 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 12 Working Days of the Bid/Issue Closing Date.

### **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.”*

### **Consents**

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the legal advisor, the Bankers to the Company, the Bankers to the Issue, industry sources (where such reports have been used); and (b) the BRLM, the Syndicate Member(s) and the Registrar to the Issue to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.



S.N. Dhawan & Co., our Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in “**Financial Statements**” on page 102 and of their report relating to tax benefits accruing to our Company in the form and context in which it appears in “**Statement of Tax Benefits**” on page 36 and such consent and report have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

[●], the agency engaged by the Company for the purpose of obtaining IPO grading in respect of this Issue, will give its written consent to the inclusion of its report in the form and context in which it will appear in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus with the Designated Stock Exchange.

### Expert Opinion

Except for the report of [●] in respect of the IPO Grading of this Issue (a copy of which will be annexed to the Red Herring Prospectus as Annexure I), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and except for the reports of the Auditors of our Company on the restated financial statements and the ‘Statement of Tax Benefits’, included in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

### Issue Expenses

The total expenses of the Issue are estimated to be approximately ₹ [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, fees to the Bankers to the issue (including processing fee to the SCSBs for processing ASBA Bid cum Application Forms procured by the Syndicate Members and submitted to the SCSBs), statutory advertisement expenses and listing fees. All expenses with respect to the Issue shall be borne by our Company.

The details of the estimated Issue expenses are set forth below:

(₹ in million)			
Activity	Estimated expenses*	As a % of the total estimated Issue expenses	As a % of the total Issue size
Fees payable to the Book Running Lead Manager	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Fees payable to the Registrar to the Issue	[●]	[●]	[●]
Underwriting commission, brokerage and selling commission including fee payable to SCSBs (including commission payable to members of the Syndicate and the SCSBs, and processing fees to SCSBs for ASBA Applications, as applicable)**	[●]	[●]	[●]
IPO Grading expense	[●]	[●]	[●]
Others (legal fees, listing fees, printing and stationery expenses etc.)	[●]	[●]	[●]
<b>Total estimated Issue expenses</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>

\*Will be incorporated at the time of filing of the Prospectus.

\*\* Disclosure of commission and processing fees will be incorporated at the time of filing the Red Herring Prospectus

### Fees Payable to the BRLM and Syndicate Member(s)

The total fees payable to the BRLM and Syndicate Member(s) (including underwriting and selling commissions), and reimbursement of their out of pocket expenses, will be as stated in the engagement letter with the BRLM dated April 27, 2011, issued by our Company.

### Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue including fees for processing of Bid cum Application Forms, data entry, printing of Allotment Advice, refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the agreement dated July 21, 2011, signed among our Company and the Registrar to the Issue, a copy of which is available for inspection at our Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided 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.

#### **Particulars regarding Public or Rights Issues during the last five years**

There have been no public or rights issues undertaken by our Company during the five years preceding the date of this Draft Red Herring Prospectus. For more information, see “*Capital structure*” on page 18.

#### **Commission or brokerage on previous issues**

Since this is the initial public offering of the Equity Shares of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure public subscription for any of our Equity Shares since our incorporation.

#### **Previous Issues otherwise than for Cash**

As on the date of this Draft Red Herring Prospectus, our Company has not issued any Equity Shares for consideration otherwise than for cash.

#### **Capital Issues in the Preceding Three Years**

Our Company and our Group Entities have not made any capital issues during the three years preceding the date of this Draft Red Herring Prospectus.

#### **Promise versus Performance**

Our Company, our Promoter and our Group Entities have not made any capital issues during the ten years preceding the date of this Draft Red Herring Prospectus.

#### **Promise versus Performance: Last Issue of Group Entities or associate companies**

None of our Group Entities or our associate companies have made any public or rights issues in the 10 years preceding the date of this Draft Red Herring Prospectus.

#### **Outstanding Debentures, Bonds or Redeemable Preference Shares**

As on the date of this Draft Red Herring Prospectus, our Company does not have any outstanding debentures, bonds or redeemable preference shares.

#### **Partly Paid-Up Shares**

As on the date of this Draft Red Herring Prospectus, there are no partly paid-up Equity Shares of our Company.

#### **Stock Market Data of our Equity Shares**

This being the initial public offering of the Equity Shares of our Company, the Equity Shares of our Company are not listed on any stock exchange and hence no stock market data is available.

#### **Mechanism for Redressal of Investor Grievances by our Company**

The agreement dated July 21, 2011 between the Registrar to the Issue and our Company, provides for retention of records with the Registrar to the Issue for a minimum period of three years from the last date of dispatch of letters of Allotment, dematerialised credit or refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the relevant SCSB or the member of the Syndicate if the Bid was submitted to a member of the Syndicate at any of the ASBA Bidding Locations, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount mentioned in the ASBA Bid cum Application Form which is to be blocked by the relevant SCSB and, in case of physical ASBA Bid cum Application Forms, the relevant Designated Branch or collection centre of SCSB or the relevant member of the Syndicate at an ASBA Bidding Location where such physical ASBA Bid cum Application Form was submitted.

The Registrar to the Issue shall act as the nodal agency for redressing complaints of ASBA and non-ASBA investors, including providing guidance to ASBA investors regarding approaching the SCSB concerned.

### **Disposal of Investor Grievances by our Company**

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

### **Company Secretary and Compliance Officer**

Our Company has appointed Vijay Dhingra, Senior Manager (Legal and Secretarial) and Company Secretary, as the Compliance Officer pursuant to resolution of our Board of Directors at its meeting dated June 28, 2011 and may be contacted in case of any pre-Issue or post-Issue related problems at the following address or on the following telephone and facsimile numbers or e-mail address:

***Vijay Dhingra, Company Secretary and Senior Manager (Legal and Secretarial)***

9th Floor, IFCI Tower

61, Nehru Place

New Delhi 110 019

India

Tel: (+91 11) 4641 2833

Fax: (+91 11) 4652 1435

E-mail: vijaydhingra@ifcifactors.com

### **Mechanism for Redressal of Investor Grievances by Listed Group Entities and Companies under the Same Management**

For more information on the mechanism for redressal of investor grievance, followed by our Listed Group Entities and companies under the same management, see “*Our Promoter and Group Entities*” on page 90.

### **Changes in Auditors**

There has been no change in our Auditors during the three years preceding the date of this Draft Red Herring Prospectus.

### **Capitalisation of Reserves or Profits**

We have not capitalised our reserves or profits at any time during the five years preceding the date of this Draft Red Herring Prospectus.

### **Revaluation of Assets**

Our Company has not revalued its assets since its incorporation.

## SECTION VII – ISSUE RELATED INFORMATION

### ISSUE STRUCTURE

This Issue of 39,086,628 Equity Shares of face value ₹ 10 each, at the Issue Price of ₹ [●] for cash, including a premium of ₹ [●] per Equity Share, aggregating ₹ [●] million, is being made through the Book Building Process. This Issue shall constitute 33% of the post-Issue paid-up Equity Share capital of our Company.

	<b>QIB Bidders*</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares available for allocation**	Up to 19,543,313 Equity Shares, or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than 5,862,995 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 13,680,320 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue size available for allocation	Up to 50% of the Issue or Issue size less allocation Non-Institutional Bidders and Retail Individual Bidders will be available for allocation to QIBs. However, 5% of the QIB Portion, excluding the Anchor Investor Portion, will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the 5% reservation will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund portion will be available for allocation to QIBs	Not less than 15% of the Issue or Issue size less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of the Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allotment if respective category is oversubscribed	Proportionate as follows: (a) 977,166 Equity Shares will be available for allocation on a proportionate basis to Mutual Funds; and (b) 18,566,147 Equity Shares will be available for allocation on a proportionate basis to QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Mode of Bidding	Through ASBA process only	Through ASBA process only	Both the ASBA process and non-ASBA process are available to Retail Individual Bidders
Minimum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 200,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 200,000	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹ 200,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter

QIB Bidders*		Non-Institutional Bidders	Retail Individual Bidders
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply***	PFI, FIIs (and their sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the IRDA, provident funds with a minimum corpus of ₹ 250 million, pension funds with a minimum corpus of ₹ 250 million, insurance funds set up and managed by the army, navy and air force of the Union of India and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India and insurance funds set up and managed by the Department of Posts, India.	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-account registered with SEBI, which is a foreign corporate or foreign individual for Equity Shares such that the Bid Amount exceeds ₹ 200,000 in value	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed ₹ 200,000 in value
Mode of Bidding	Through ASBA only	Through ASBA only	Through ASBA and non-ASBA
Terms of Payment	The entire Bid Amount will be payable at the time of submission of the Bid cum Application Form to the SCSB or the member of the Syndicate at the Syndicate ASBA Bidding Location or the Syndicate, as the case may be. In case of ASBA Bidders, the SCSB will be authorised to block funds equivalent to the Bid Amount in the relevant ASBA Account as detailed in the Bid cum Application Form.		

*\*Our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price, on a discretionary basis, subject to there being a minimum of (i) two Anchor Investors, where allocation in the Anchor Investor Portion is up to ₹ 2,500.00 million, and (ii) five Anchor Investors, where the allocation under the Anchor Investor Portion is more than ₹ 2,500.00 million. An Anchor Investor will make a minimum Bid of such number of Equity Shares, that the Bid Amount is at least ₹ 100.00 million. One-third of the Anchor Investor Portion will be reserved for domestic Mutual Funds, subject to valid Bids being received at or above the price at which allocation is made to Anchor Investors.*

*\*\*The Issue is being made through the Book Building Process, where up to 50% of the Issue will be available for allocation to QIBs on a proportionate basis. Further, not less than 15% and 35% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price. Any under-subscription in any category will be allowed to be met with spill-over from other categories or combination of categories at the discretion of our Company, in consultation with the BRLM and the Stock Exchanges, subject to valid Bids being received at or above the Issue Price.*

*\*\*\*If the Bid cum Application Form is submitted in joint names (not more than three), the Bidders should ensure that the beneficiary 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.*

### Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment. If our Company withdraws the Issue, our Company will issue a public notice within two days, providing reasons for not proceeding with the Issue. The BRLM, through the Registrar to the Issue, will instruct the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such instruction. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Company withdraws the Issue after the Bid/Issue Closing Date and subsequently decides to undertake a public offering of Equity Shares, our Company will file a fresh draft offer document with SEBI and the stock exchanges where the Equity Shares may be proposed to be listed.

Notwithstanding the foregoing, the Issue is subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges with respect to the Equity Shares offered through the Red Herring Prospectus, which our Company will apply for only after Allotment; and (ii) the final RoC approval of the Prospectus.

<b>BID/ISSUE OPENING DATE*</b>		[●]
<b>BID/ISSUE CLOSING DATE**</b>		[●]

\* The Company may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.

\*\* The Company, in consultation with the BRLM, may decide to close the Bid/Issue Period for QIBs one day prior to the Bid/Issue Closing Date.

Except in relation to Anchor Investors, Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bid/Issue Period at the Bidding centres mentioned in the Bid cum Application Form, or in the case of ASBA Bidders, at the Designated Branches or at the branches of the members of the Syndicate at the Syndicate ASBA Bidding Locations, as the case may be, **except that on the Bid/Issue Closing Date (which for QIBs may be a day prior to the Bid/Issue Closing Date for other non-QIB Bidders), Bids will be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 5.00 p.m. (Indian Standard Time) in case of Bids by QIB Bidders and Retail Individual Bidders; and (ii) 4.00 p.m. (Indian Standard Time) by Non-Institutional Bidders. On the Bid Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms or ASBA Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within 30 minutes of such closure. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public issues, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, the Syndicate and the SCSBs shall not be responsible. Bids will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday). Bids by ASBA Bidders shall be uploaded by the SCSBs in the electronic system to be provided by the Stock Exchanges.

Our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bid/Issue Period, in accordance with the SEBI ICDR Regulations. The Cap Price will be less than or equal to 120% of the Floor Price and the Floor Price will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the Floor Price may move up or down to the extent of 20% of the Floor Price as disclosed at least one Working Day prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bid/Issue Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the website of the BRLM and at the terminals of the Syndicate and intimation to SCSBs



## TERMS OF THE ISSUE

The Equity Shares offered and sold in the Issue will be subject to the provisions of the Companies Act, the SEBI ICDR Regulations, the SCRR, the Memorandum of Association, Articles of Association, the Listing Agreement, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, the Bid cum Application Form, the Revision Form, and other terms and conditions as may be incorporated in the allotment advice and other documents and certificates that may be executed in respect of the Issue. The Equity Shares will also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue and sale of capital and listing of securities, issued from time to time, by SEBI, the GoI, the Stock Exchanges, the RoC, the RBI and/or other authorities to the extent applicable.

### Ranking of Equity Shares

The Equity Shares being offered and sold in the Issue will rank *pari passu* with the existing Equity Shares of our Company, including in respect of dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. See “**Main Provisions of the Articles of Association of the Company**” on page 226.

### Mode of Payment of Dividend

Our Company will pay dividend, if declared, to our Equity Shareholders, as per the provisions of the Companies Act, the Listing Agreement, our Memorandum of Association and Articles of Association. See “**Dividend Policy**” on page 101.

### Face Value and Price Band

The face value of each Equity Share is ₹ 10. At any given point of time there will be only one denomination for the Equity Shares.

The Price Band will be decided by our Company, in consultation with the BRLM, and published by our Company at least two Working Days prior to the Bid/Issue Opening Date, in the [●] editions of the [●] and [●] editions of the [●], at least two working days prior to the Bid/Issue Opening Date.

### Rights of the Equity Shareholder

Subject to applicable law, the Equity Shareholders will 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 any surplus on liquidation subject to any statutory and preferential claims being satisfied;
- right of free transferability of their Equity Shares, subject to applicable foreign exchange regulations and other applicable law; and
- such other rights as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Listing Agreement and our Memorandum of Association and Articles of Association.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture, lien, transfer, transmission, consolidation and splitting, see “**Main Provisions of Our Articles of Association of the Company**” on page 226.

### Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares will be Allotted only in dematerialised form. As per the existing SEBI ICDR Regulations, the trading of our Equity Shares will only be in dematerialised form. Since trading of our Equity Shares is to be in dematerialised form, the tradable lot is one Equity Share. Allotment in the Issue will be only in dematerialised form in multiples of one Equity Share, subject to a minimum Allotment of [●] Equity Shares.



The minimum Bid lot for the Issue will be decided by our Company, in consultation with the BRLM, and published by our Company in [●] editions of the [●] and [●] editions of the [●], at least two working days prior to the Bid/Issue Opening Date.

### Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-holders with benefits of survivorship.

### Nomination Facility

In accordance with Section 109A of the Companies Act, the sole or first Bidder, 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, will vest. A nominee entitled to the Equity Shares by reason of the death of the original holder(s), will, in accordance with Section 109A of the Companies Act, be entitled to the same benefits to which he or she will be entitled if he or she were the registered holder of the Equity Shares. 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 the holder's death during minority of the nominee. A nomination will stand rescinded on a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or with the Registrar to the Issue.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, will on the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of 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 90 days, the Board may thereafter withhold payment of all dividend, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Bidder will prevail. If Bidders want to change their nomination, they are advised to inform their respective Depository Participant.

<b>BID/ISSUE OPENING DATE*</b>	[●]
<b>BID/ISSUE CLOSING DATE**</b>	[●]

\* The Company may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.

\*\* The Company, in consultation with the BRLM, may decide to close the Bid/Issue Period for QIBs one day prior to the Bid/Issue Closing Date.

### Minimum Subscription

If the Issuer does not receive the minimum subscription of 90% of the Issue, including through devolvement of the Underwriters, as applicable, within 60 days from the Bid/Issue Closing Date, our Company will refund the entire subscription amount received within 70 days from the Bid/Issue Closing Date. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company and every officer in default will, on and from the expiry of this period, be jointly and severally liable to pay interest prescribed under Section 73 of the Companies Act. Further in terms of Regulation 26(4) of the SEBI ICDR Regulations, our Company will ensure that the number of Bidders to whom the Equity Shares are Allotted in the Issue will be not less than 1,000.

### Jurisdiction

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

**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, except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

#### **Arrangement for Disposal of Odd Lots**

There are no arrangements for disposal of odd lots.

#### **Restriction on Transfer of Shares**

Except for lock-in of post-Issue equity shareholding, and Anchor Investor lock-in in the Issue as detailed in “*Capital Structure*” on page 18 and as provided in our Articles as detailed in “*Main Provisions of our Articles of Association of the Company*” on page 226, there are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting.

#### **Option to receive Equity Shares in Dematerialised Form**

Allotment of Equity Shares to successful Bidders will only be in the dematerialised form. Bidders will not have the option of Allotment of the Equity Shares in physical form. The Equity Shares on Allotment will be traded only on the dematerialised segment of the Stock Exchanges.

## ISSUE PROCEDURE

*This section applies to all Bidders. QIBs (other than Anchor Investors) and Non-Institutional Bidders can participate in this Issue only through the ASBA process and Retail Individual Bidders have the option to participate through the ASBA process. Anchor Investors are not permitted to participate through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. ASBA Bidders should carefully read the provisions applicable to such applications before making their application through the ASBA process. ASBA Bidders should note that they may submit their ASBA Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate. All Bidders are required to pay the full Bid Amount or, in case of ASBA Bids, ensure that the ASBA Account has sufficient credit balance such that the full Bid Amount can be blocked by the SCSB at the time of making the Bid.*

*Our Company and the members of the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section, and are not liable for any amendment, modification or change in applicable law, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids do not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in this Draft Red Herring Prospectus.*

### **Book Building Procedure**

This Issue is being made through the Book Building Process where up to 50% of the Issue will be available for allocation to QIBs on a proportionate basis, provided that our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price, on a discretionary basis, of which at least one-third will be available for allocation to domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price. Further, 5% of the QIB Portion (excluding the Anchor Investor Portion) will be available for allocation on a proportionate basis to Mutual Funds. The remainder will be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% and 35% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price.

Any under-subscription in any category would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLM and the Designated Stock Exchange.

**QIBs (other than Anchor Investors) and Non-Institutional Bidders can participate in this Issue only through the ASBA process while Retail Individual Bidders have the option to bid through the ASBA process. ASBA Bidders are required to submit their Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat) and that the SCSB where the ASBA Account (as specified in the Bid cum Application Form) is maintained has named at least one branch at that location for the members of the Syndicate to deposit Bid cum Application Forms (a list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>), or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate.**

In case of QIBs, the Company may, in consultation with the BRLM, reject their Bids at the time of acceptance of the Bid cum Application Form, provided that the reasons for such rejection shall be disclosed to such QIB in writing. Further, Bids can also be rejected on technical grounds listed or if all the information required is not provided or the Bid cum Application Form is incomplete in any respect. For details see “-**Grounds for Technical Rejections**” page 207.

**Allotment to successful Bidders will be only in the dematerialised form. Bid cum Application Forms which do not have the details of the Bidders’ depository accounts including Depository Participant Identity (“DP ID”), PAN and Client Identification Number (“Client ID”) will be treated as incomplete and rejected. Bidders will not have the option of receiving Allotment in physical form. On Allotment, the Equity Shares will be traded only on the dematerialised segment of the Stock Exchanges.**

## **Bid cum Application Form**

Retail Individual Bidders may, at their discretion, Bid through the ASBA process or non-ASBA process. However, QIBs and Non Institutional Bidders must compulsorily use the ASBA process to participate in the Issue. Anchor Investors are not permitted to participate in the Issue through the ASBA Process.

Bidders are required to ensure that the PAN (of the sole/first Bidder) provided in the Bid cum Application Form is exactly the same as the PAN of the person in whose name the relevant beneficiary account is held. If the Bid cum Application Form was submitted in joint names, Bidders are required to ensure that the beneficiary account was held in the same joint names in the same sequence in which they appeared in the Bid cum Application Form.

### *Retail Individual Bidders Bidding through the non-ASBA process*

In the event of Bidding through the non-ASBA process, the Retail Individual Bidders shall only use a Bid cum Application Form bearing the stamp of a member of the Syndicate. Copies of the Bid cum Application Form will be available with the members of the Syndicate and at our Office.

The Bid cum Application Form shall be serially numbered, the date and time shall be stamped at the Bidding centres, and such form shall be issued in duplicate signed by the Retail Individual Bidder and stamped by the relevant member of the Syndicate.

On completing and submitting the Bid cum Application Form to a member of the Syndicate, the Retail Individual 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 the RoC after such filing, without prior or subsequent notice of such changes to the Retail Individual Bidder. On determination of the Issue Price and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form.

### *QIBs, Non Institutional Bidders and Retail Individual Bidders Bidding through the ASBA process*

ASBA Bidders, including all QIBs (other than Anchor Investors) and Non-Institutional Bidders, as well as those Retail Individual Bidders that have exercised the option to Bid through the ASBA process, can submit their Bids by submitting the Bid cum Application Forms, either in physical or electronic mode, to the SCSB with whom the ASBA Account is maintained or in physical form to the members of Syndicate at the Syndicate ASBA Bidding Locations. The physical Bid cum Application Forms shall be serially numbered and will be available with the Designated Branches, the members of Syndicate at the Syndicate ASBA Bidding Locations, and at our Office. The electronic Bid cum Application Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Bid/Issue Opening Date.

In case of application in physical mode, the ASBA Bidder shall submit the Bid cum Application Forms bearing the stamp of the Designated Branch or the member of the Syndicate, as the case may be, at the relevant Designated Branch or the member of the Syndicate at the Syndicate ASBA Bidding Location.

**ASBA Bidders Bidding through a member of the Syndicate should ensure that the Bid cum Application Form is submitted to a member of the Syndicate at the Syndicate ASBA Bidding Locations and that the SCSB where the ASBA Account is maintained as specified in the Bid cum Application Form, has named at least one branch in the relevant Syndicate ASBA Bidding Location for the members of the Syndicate to deposit Bid cum Application Forms. A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>. ASBA Bidders Bidding directly through the SCSBs should ensure that the Bid cum Application Form is submitted to the Designated Branch where the ASBA Account is maintained.**

In case of application in electronic form, the ASBA Bidder shall submit the Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for Bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids.

On completing and submitting the Bid cum Application Form to the SCSB or the member of the Syndicate at the Syndicate ASBA Bidding Locations, the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in the 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 ASBA Bidder. On determination of the Issue Price and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form.

To supplement the foregoing, the mode and manner of Bidding is illustrated in the following chart.

Category of Bidder		Permitted modes of Bidding	Application form to be used for Bidding	To whom the application form has to be submitted
Retail Bidders	Individual	Either (i) ASBA or (ii) non-ASBA	(i) If Bidding through ASBA, the Bid cum Application Form (physical or electronic).	(i) If physical Bid cum Application Form is being used, either to the members of the Syndicate only at Syndicate ASBA Bidding Locations* or to the Designated Branch of the SCSB where the ASBA Account is maintained; or
			(ii) If Bidding through non-ASBA, the Bid cum Application Form.	(ii) if electronic Bid cum Application Form is being used, to the SCSBs, electronically through internet banking facility.
Non-Institutional Bidders and QIBs (excluding Anchor Investors)	ASBA		Bid cum Application Form (physical or electronic)	(i) if Bid cum Application Form is being used, to the members of the Syndicate at the Bidding centres as stated in the Bid cum Application Form.
				(ii) if electronic Bid cum application Form is being used, electronically through internet banking facility.
Anchor Investors	Non-ASBA		Bid cum Application Form	(i) If physical Bid cum Application Form is being used, either to the members of the Syndicate only at Syndicate ASBA Bidding Locations* or to the Designated Branch of the SCSB where the ASBA Account is maintained; or
				(ii) if electronic Bid cum Application Form is being used, to the SCSBs, electronically through internet banking facility.
				To the BRLM

\* ASBA Bidders Bidding through a member of the Syndicate should ensure that the Bid cum Application Form is submitted to a member of the Syndicate only at the Syndicate ASBA Bidding Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat) and that the SCSB where the ASBA Account (as specified in the Bid cum Application Form) is maintained has named at least one branch at that location for the members of the Syndicate to deposit Bid cum Application Forms. A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>.

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

Category	Colour of Bid cum Application Form**
Resident Indians and Eligible NRIs applying on a non-repatriation basis (ASBA and non-ASBA)	[●]
Non-Residents including Eligible NRIs and FIIs applying on a repatriation basis, excluding Anchor Investors (ASBA and non-ASBA)	[●]
Anchor Investors (non-ASBA)*, #	[●]

\*Bid cum Application Forms for Anchor Investors will be made available at the offices of the BRLM.

# Anchor Investors are not permitted to Bid in this Issue through the ASBA process.

\*\*Excluding electronic Bid cum Application Forms

### Who can Bid?

- Indian nationals resident in India who are competent to contract under the Indian Contract Act, 1872;
- HUFs, in the individual name of the *Karta*. Such Bidders 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 HUF applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs will be considered at par with those from individuals;
- Companies, corporate bodies, limited liability partnerships and societies registered under applicable

- law in India and authorised to invest in equity shares under their respective constitutional or charter documents;
- (iv) Mutual Funds registered with SEBI;
  - (v) Eligible NRIs (on a repatriation basis or on a non repatriation basis), subject to applicable law;
  - (vi) Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI ICDR Regulations and other applicable law);
  - (vii) FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual Bidding in the QIB Portion;
  - (viii) Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only in the Non-Institutional Portion;
  - (ix) State Industrial Development Corporations;
  - (x) Trusts/societies registered under the Societies Registration Act, 1860, or under any other law relating to trusts/societies and who are authorised under their respective constitutional or charter documents to hold and invest in equity shares;
  - (xi) Scientific and/or industrial research organizations in India, authorised to invest in equity shares;
  - (xii) Insurance companies registered with IRDA;
  - (xiii) Provident funds with a minimum corpus of ₹ 250 million and who are authorised under their constitutional documents to hold and invest in equity shares;
  - (xiv) Pension Funds with a minimum corpus of ₹ 250 million and who are authorised under their constitutional documents to hold and invest in equity shares;
  - (xv) National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the GoI published in the Gazette of India;
  - (xvi) Insurance funds set up and managed by the army, navy or air force of the Union of India;
  - (xvii) Insurance funds set up and managed by the Department of Posts, India; and
  - (xviii) Multilateral and bilateral development financial institutions.

**In accordance with RBI regulations, OCBs cannot participate in this Issue.**

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

**Bids by Mutual Funds**

As per the SEBI ICDR Regulations, 5% of the QIB Portion (excluding the Anchor Investor Portion), is reserved for Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund in the Mutual Fund Portion will first be considered for allocation proportionately in the Mutual Fund Portion. If demand in the Mutual Fund Portion is greater than 977,166 Equity Shares, allocation will be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds will be available for allocation proportionately, after excluding the allocation in the Mutual Fund Portion, in the QIB Portion. One-third of the Anchor Investor Portion is reserved for domestic Mutual Funds subject to valid Bids being received at or above the price at which allocation is made to Anchor Investors.

No Mutual Fund scheme may invest more than 10% of its net asset value in equity shares or equity related instruments of any company, provided that the limit of 10% will not apply to investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes may own over 10% of any company's paid-up share capital carrying voting rights.

Bids by asset management companies or custodians of Mutual Funds should clearly indicate the name of the concerned scheme for which the Bid is submitted.

In case of a Mutual Fund, a separate Bid may be made in respect of each scheme of a Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of a Mutual Fund will not be treated as multiple Bids, provided that such Bids clearly indicate the scheme for which the Bid is submitted.

**Bids by Non Residents including Eligible NRIs and FIIs registered with SEBI**

There is no reservation for Eligible NRIs or FIIs registered with SEBI. Such Eligible NRIs and FIIs registered



with SEBI will be treated on the same basis as other categories for the purpose of allocation.

The Company acknowledges that the Equity Shares have not been and will not be registered under the Securities Act and will not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

### ***Bids by Eligible NRIs***

Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs Bidding on a repatriation basis may make payments by inward remittance in foreign exchange through normal banking channels or by debits to their Non-Resident External (“NRE”) or Foreign Currency Non Resident (Bank) (“FCNR”) accounts maintained with authorised dealers registered with the RBI under the Foreign Exchange Management (Foreign Currency Accounts) Regulations, 2000. Eligible NRIs Bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents ([●] in colour), accompanied by a bank certificate confirming that the payment has been made by debiting to the NRE or FCNR account, as the case may be.

Eligible NRIs Bidding on a non-repatriation basis may make payments by inward remittance in foreign exchange through normal banking channels or by debits to NRE/FCNR accounts as well as Non-Resident Ordinary Rupee Account (“NRO”)/Non-Resident (Special) Rupee Account (“NRSR”)/ Non-Resident Non-Repatriable Term Deposit Account (“NRNR”) accounts. Eligible NRIs Bidding on a non-repatriation basis are advised to use the Bid cum Application Form meant for Resident ([●] in colour).

### ***Bids by FIIs***

The issue of Equity Shares to a single FII or a sub-account cannot exceed 10% of the post-Issue Equity Share capital of our Company. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account will not exceed 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to our Company, the total foreign investment including FII investment may be up to 100% with the approval of our Board and a special resolution of our shareholders. Currently, the total foreign investment including FII investment cannot exceed 24% of our total issued capital of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 (“SEBI FII Regulations”), an FII, as defined in the SEBI FII Regulations, may issue, deal or hold, offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms. The FII is also required to ensure that no further issue or transfer of any offshore derivative instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI ICDR Regulations. Associates and affiliates of the Underwriters, including the BRLM and Syndicate Member(s) that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on, or interest in, our Company.

### ***Bids by Anchor Investors***

Our Company may consider participation by Anchor Investors in the QIB Portion for up to 30% of the QIB Portion in accordance with the SEBI ICDR Regulations. Only QIBs as defined in Regulation 2(1) (zd) of the SEBI ICDR Regulations and not otherwise excluded pursuant to Schedule XI of the SEBI ICDR Regulations are eligible to invest. The QIB Portion will be reduced in proportion to the allocation under the Anchor Investor Portion. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares will be added to the QIB Portion. In accordance with the SEBI ICDR Regulations, the key terms for participation in the Anchor Investor Portion are provided below.

- (i) Anchor Investor Bid cum Application Forms will be made available for the Anchor Investor Portion at the office of the BRLM.



- (ii) The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds ₹ 100 million. A Bid cannot be submitted for more than 30% of the QIB Portion. In case of a Mutual Fund registered with SEBI, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of ₹ 100 million.
- (iii) One-third of the Anchor Investor Portion will be reserved for allocation to domestic Mutual Funds.
- (iv) The Bidding for Anchor Investors will open one Working Day before the Bid/Issue Opening Date and will be completed on the same day.
- (v) Our Company in consultation with the BRLM, will finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion will not be less than:
  - two, where the allocation under Anchor Investor Portion is up to ₹ 2,500 million; and
  - five, where the allocation under Anchor Investor Portion is over ₹ 2,500 million.
- (vi) Allocation to Anchor Investors will be completed on the Anchor Investor Bidding Date. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, will be made available in public domain by the BRLM before the Bid/Issue Opening Date.
- (vii) Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.
- (viii) If the Issue Price is greater than the Anchor Investor Issue Price, the additional amount being the difference between the Issue Price and the Anchor Investor Issue Price will be payable by the Anchor Investors by the Pay-in-Date. If the Issue Price is lower than the Anchor Investor Issue Price, Allotment to successful Anchor Investors will be at the higher price, *i.e.*, the Anchor Investor Issue Price.
- (ix) The Equity Shares Allotted in the Anchor Investor Portion will be locked in for a period of 30 days from the date of Allotment.
- (x) The BRLM or our Promoter or Promoter Group or any person related to them will not participate in the Anchor Investor Portion. The parameters for selection of Anchor Investors will be clearly identified by the BRLM and made available as part of the records of the BRLM for inspection by SEBI.
- (xi) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion will not be considered as multiple Bids.
- (xii) For more information on payment instructions, see “*Payment into Escrow Accounts for Bidders other than ASBA Bidders*” below.

Any additional details regarding participation in the Issue under the Anchor Investor Portion will be disclosed in the advertisement for the Price Band which will be published by our Company at least two Working Days prior to the Bid/Issue Opening Date, in [●] editions of [●] and [●] editions of [●] (one in English and one in Hindi, which is also the regional newspaper in the city where our Office is located). **Anchor Investors are not permitted to Bid in this Issue through the ASBA process.**

#### **Bids by banking companies**

The investment limit for banking companies as per the Banking Regulation Act, 1949, is 30% of the paid-up share capital of the investee company or 30% of the banks’ own paid-up share capital and reserves, whichever is less (except in case of certain specified exceptions, such as setting up or investing in a subsidiary company, which requires RBI approval). Additionally, any investment by a bank in equity shares must be approved by such bank’s investment committee set up to ensure compliance with the applicable prudential norms for classification, valuation and operation of investment portfolio of banks (currently reflected in the RBI Master Circular of July 1, 2011).

#### **Bids by insurance companies**

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 (the “**IRDA Investment Regulations**”), are broadly set forth below:

- (i) equity shares of a company: the least of 10% of the investee company’s subscribed capital (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer;
- (ii) the entire group of the investee company: the least of 10% of the respective fund in case of a life insurer or 10% of investment assets in case of a general insurer or reinsurer (25% in case of Unit Linked Insurance Plans (“**ULIPs**”)); and
- (iii) the industry sector in which the investee company operates: 10% of the insurer’s total investment exposure to the industry sector (25% in case of ULIPs).

Further, with effect from August 1, 2008, no investment may be made in an initial public offer if the issue size, including offer for sale, is less than ₹ 2,000 million. In addition, the IRDA partially amended the exposure limits applicable to investments in public limited companies in the infrastructure and housing sectors, with effect from December 26, 2008, providing, among other things, that the exposure of an insurer to an infrastructure company may be increased to not more than 20%, provided that in case of equity investment, a dividend of not less than 4% including bonus should have been declared for at least five preceding years. In case of an initial public offer of a wholly owned subsidiary of a corporate or public sector enterprise, the above track record would be applied to the holding company. This limit of 20% would be combined for debt and equity taken together, without sub-ceilings. Further, investments in equity including preference shares and the convertible part of debentures shall not exceed 50% of the exposure norms specified under the IRDA Investment Regulations.

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 deem fit.

#### **Bids by limited liability partnerships**

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form. Failing this, our Company reserves the right to reject any Bid without assigning any reason.

#### **Bids by provident funds/pension funds**

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹ 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be attached to the Bid cum Application Form. Failing this, our Company reserves the right to reject any Bid, without assigning any reason.

#### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million 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 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.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- (i) With respect to Bids by FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.
- (ii) With respect to Bids by insurance companies registered with the IRDA, in addition to the above, a certified copy of the certificate of registration issued by the IRDA must be lodged with the Bid cum Application Form.

- (iii) With respect to Bids made by provident funds with minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form.

**Our Company, its Directors and officers and the members of the Syndicate are not liable for any amendment, modification or change in applicable law, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in this Draft Red Herring Prospectus. Our Company and the members of the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated above.**

#### **Maximum and Minimum Bid Size**

- (i) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, to ensure that the Bid Amount payable by the Bidder does not exceed ₹ 200,000. In case of revision of Bids, Retail Individual Bidders should ensure that the Bid Amount does not exceed ₹ 200,000. If the Bid Amount is over ₹ 200,000 due to revision of the Bid, the Bid will be considered for allocation in the Non-Institutional Portion, only if the Bid was made pursuant to the ASBA process. The option to Bid at the Cut-Off Price is available only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the Issue Price.
- (ii) **For Other Bidders (Non-Institutional Bidders and QIBs excluding Anchor Investors):** The Bid must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds ₹ 200,000. 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 under applicable law. **A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.**
- (iii) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount at least ₹ 100 million. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion will not be considered as multiple Bids. Under the Anchor Investor Portion, a Bid cannot be submitted for more than 30% of the QIB Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.**

#### **Information for the Bidders:**

- (i) Our Company will publish an advertisement regarding the filing of this Draft Red Herring Prospectus with SEBI in [●] editions of [●] and [●] editions of [●] (one in English and one in Hindi, which is also the regional newspaper in the city where our Office is located) within one Working Day from the filing of this Draft Red Herring Prospectus.
- (ii) The Red Herring Prospectus will be filed by our Company with the RoC at least three days before the Bid/Issue Opening Date.
- (iii) Subject to the provisions of Section 66 of the Companies Act, 1956, the Company shall, after registering the Red Herring Prospectus with the Registrar of Companies, make a pre-issue advertisement in [●] editions of [●] and [●] editions of [●] (one in English and one in Hindi, which is also the regional newspaper in the city where our Office is located) declaring the Bid/Issue Opening Date and the Bid/Issue Closing Date. The Price Band and the minimum Bid size shall be decided by our Company in consultation with the BRLM and published in one English national daily newspaper with wide circulation and one Hindi national daily newspaper with wide circulation (which is also the regional newspaper in the city where our Office is located) at least two Working Days prior to the Bid/Issue Opening Date.
- (iv) Copies of the Bid cum Application Form and the Red Herring Prospectus will be available with the BRLM and at our Office. Bid cum Application Forms will also be available with the SCSBs. Bid cum Application Forms will be available for downloading and printing, from the websites of the Stock Exchanges and electronic Bid cum Application Forms will be available on the websites of the SCSBs (which provide electronic interface for ASBA facility). A unique application number will be generated

for every Bid cum Application Form downloaded and printed from the websites of the Stock Exchanges. The BRLM shall ensure that adequate arrangements are made to circulate copies of the abridged Red Herring Prospectus, the Bid cum Application Form to the SCSBs.

- (v) **QIBs (other than Anchor Investors) and Non-Institutional Bidders can participate in this Issue only through the ASBA process. Retail Individual Bidders have the option to bid through the ASBA process or the non-ASBA process at their discretion. ASBA Bidders are required to submit their Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate.**
- (vi) Bid cum Application Forms submitted to the members of the Syndicate should bear the stamp of the members of the Syndicate, otherwise they are liable to be rejected. Bid cum Application Forms submitted directly to the SCSBs should bear the stamp of the SCSBs and/or the Designated Branch or the member of the Syndicate at the Syndicate ASBA Bidding Locations, if not, they are liable to be rejected. Bid cum Application Forms downloaded from the websites of the Stock Exchanges, submitted to members of the Syndicate or to SCSBs, should bear a unique identification number, if not, they are liable to be rejected.
- (vii) The Issue Period shall be for a minimum of three Working Days. In case the Price Band is revised, the Issue Period shall be extended, by an additional three Working Days, subject to the total Issue Period not exceeding 10 Working Days. The revised Price Band and Issue Period will be widely disseminated by notification to the SCSBs and Stock Exchanges, and by publishing in [●] editions of [●] and [●] editions of [●] (one in English and one in Hindi, which is also the regional newspaper in the city where our Office is located) and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate.
- (viii) The Syndicate and the Designated Branches will accept Bids during the Bid/Issue Period in accordance with the terms of the Red Herring Prospectus, provided that the BRLM will accept the Bids from Anchor Investors only on the Anchor Investor Bidding Date.
- (ix) With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN has not been verified shall be suspended for credit and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.
- (x) No separate receipts will 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 or the SCSB, as the case may be, 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.

#### **Additional information for ASBA Bidders**

- (i) Physical Bid cum Application Forms will be available with the Designated Branches and at our Office. Electronic Bid cum Application Forms will be available on the websites of the SCSBs (offering electronic ASBA facility) and on the websites of the Stock Exchanges each with a unique identification number, at least one day prior to the Bid/Issue Opening Date. Further, the SCSBs will ensure that a soft copy of the abridged Red Herring Prospectus is made available on their websites.
- (ii) The Bid cum Application Forms can be submitted to either (i) a members of Syndicate at the Syndicate ASBA Bidding Locations in physical mode; or (ii) either in physical or electronic mode, to the SCSBs with whom the ASBA Account is maintained. Bid cum Application Forms in electronic mode can be submitted only to the SCSBs with whom the ASBA Account is maintained and not to the members of Syndicate. SCSBs may provide the electronic mode of Bidding either through an internet enabled Bidding and banking facility or such other secured, electronically enabled mechanism for Bidding and blocking funds in the ASBA Account.

**ASBA Bidders Bidding through a member of the Syndicate should ensure that the Bid cum Application Form is submitted to a member of the Syndicate only at the Syndicate ASBA Bidding Locations and that the SCSB where the ASBA Account, as specified in the Bid cum Application**

**Form, is maintained has named at least one branch at such location for the members of the Syndicate to deposit the Bid cum Application Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). ASBA Bidders Bidding directly through the SCSBs should ensure that the Bid cum Application Form is submitted to a Designated Branch where the ASBA Account is maintained.**

- (iii) ASBA Bidders should ensure that they have funds equal to, or more than the Bid Amount in the ASBA Account before submitting the Bid cum Application Form to the members of the Syndicate at the Syndicate ASBA Bidding Locations or the respective Designated Branch. In the event the corresponding ASBA Account does not have sufficient funds equal to, or more than the Bid Amount at the time of blocking the ASBA Account, the Bid will be rejected.
- (iv) The members of the Syndicate at the Syndicate ASBA Bidding Locations and the SCSBs shall accept Bids only during the Bid/Issue Period.
- (v) Bid cum Application Forms submitted to the members of the Syndicate should bear the stamp of the members of the Syndicate; otherwise they are liable to be rejected. Bid cum Application Forms submitted directly to the SCSBs should bear the stamp of the SCSBs and/or the Designated Branch or the member of the Syndicate at the Syndicate ASBA Bidding Locations, if not, the same are liable to be rejected.

**Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN, DP ID and Client ID. In cases where the PAN, DP ID and Client ID is same, such Bids will be treated as multiple applications.**

Based on the information provided by the Depositories, the Issuer shall have the right to accept Bids belonging to an account for the benefit of a minor (under guardianship).

#### **Instructions for completing the Bid Cum Application Form**

Bids and revisions of Bids must be:

- (i) Made by QIBs (other than Anchor Investors) and Non-Institutional Bidders only through the ASBA process in this Issue. Retail Individual Bidders have an option to Bid through the ASBA process. ASBA Bidders are required to submit their Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat) or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate.
- (ii) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- (iii) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained here, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders must provide details of valid and active DP ID, Client ID and PAN clearly and without error. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment. Bidders should note that the members of the Syndicate and/or the SCSBs (as appropriate) will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.
- (iv) Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/Allotment. Bidders are advised to ensure that the details are correct and legible.
- (v) For Retail Individual Bidders (including Eligible NRIs), the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of ₹ 200,000. In case the Bid Amount is over ₹ 200,000 due to revision of the Bid, the Bid will be considered for allocation in the Non-Institutional Bidders portion only if the Bid was made pursuant to the ASBA process. The option to Bid at the Cut-Off Price is available only to Retail Individual Bidders indicating their agreement to Bid and purchase at the Issue Price as determined at the end of the Book Building



Process.

- (vi) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds ₹ 200,000. Anchor Investors must ensure that their Bids must make a minimum Bid of such number of Equity Shares that the Bid Amount is at least ₹ 100 million. Bids cannot be made for over the Issue size.
- (vii) Bids by Eligible NRIs and FIIs on a repatriation basis will be in the names of individuals, or in the names of such FIIs, respectively, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.
- (viii) In a single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (ix) 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.
- (x) ASBA Bidders should correctly mention the ASBA Account number in the Bid cum Application Form and ensure that funds equal to, or more than the Bid Amount are available in the ASBA Account before submitting the Bid cum Application Form to the respective Designated Branch or to a member of the Syndicate at a Syndicate ASBA Bidding Location.
- (xi) If the ASBA Account holder is different from the ASBA Bidder, the Bid cum Application Form should be signed by the ASBA Account holder.

### **Submission of Bid cum Application Form**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or bank drafts will be submitted to the members of the Syndicate at the time of submission of the Bid.

In case of application in physical mode, the ASBA Bidder shall submit the Bid cum Application Form bearing the stamp of the Designated Branch or the member of the Syndicate at the relevant Designated Branch or the relevant member of the Syndicate at Syndicate ASBA Bidding Locations, respectively. In case the ASBA Bidder submits its Bid through a member of the Syndicate at a Syndicate ASBA Bidding Location, the Bid will be uploaded by that member of the Syndicate in the electronic Bidding system of the Stock Exchanges and the Bid cum Application Form will then be forwarded to the concerned SCSB for further action including signature verification and blocking of funds. In case of application in electronic form, the ASBA Bidder shall submit the Bid cum Application Form either through the internet banking facility available with the SCSBs, or such other electronically enabled mechanism for Bidding and blocking funds in the ASBA Account held with the SCSB, and accordingly register such Bids. The SCSB shall block an amount in the ASBA Account equal to, or more than the Bid Amount specified in the Bid cum Application Form.

### **General Instructions**

#### ***Dos:***

- (i) Check if you are eligible to apply as per the terms of this Draft Red Herring Prospectus under applicable law;
- (ii) Ensure that you have Bid within the Price Band;
- (iii) Read all the instructions carefully and complete the Resident Bid cum Application Form ([●] in colour), the Non-Resident Bid cum Application Form ([●] in colour) and the Anchor Investor Bid cum Application Form ([●] in colour), as the case may be;
- (iv) Ensure that the PAN, DP ID and Client ID are correct, and the beneficiary account is activated, as Allotment of Equity Shares will be in dematerialised form only;

- (v) Ensure that the Bids are submitted at the Bidding centres only on forms bearing the stamp of a member of the Syndicate or the SCSB in case of ASBA Bidders (except in case of electronic Bid cum Application Forms);
- (vi) In case of ASBA Bidders, ensure that you have mentioned the correct ASBA Account number in the Bid cum Application Form.
- (vii) With respect to ASBA Bidders, ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Account is maintained or to a member of the Syndicate only at the Syndicate ASBA Bidding Locations and that the SCSB where the ASBA Account, as specified in the Bid cum Application Form, is maintained has named at least one branch at that location for the members of the Syndicate to deposit Bid cum Application Forms (a list of such branches is available at [www.sebi.gov.in/pmd/scsb-asba.html](http://www.sebi.gov.in/pmd/scsb-asba.html)).
- (viii) In case of ASBA Bids, ensure that the Bid cum Application Form is signed by the account holder if the Bidder is not the account holder and that the correct ASBA Account number is mentioned;
- (ix) In case of ASBA Bids, ensure that there are funds equal to, or more than the Bid Amount in the ASBA Account;
- (x) In case of ASBA Bids, ensure that you have correctly checked the authorization box in the Bid cum Application Form, or have otherwise provided an authorization to the SCSB via the electronic mode, for the Designated Branch to block funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form;
- (xi) In case of ASBA Bids, ensure that the full Bid Amount is paid for Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked by the SCSBs in case of Bids submitted through the ASBA process;
- (xii) In case of ASBA Bids, instruct your respective banks to not release the funds blocked in the ASBA Accounts;
- (xiii) Ensure that you request for and have received an acknowledgement for all your Bid options;
- (xiv) Submit revised Bids to the same member of the Syndicate or Designated Branch of the SCSB or the member of the Syndicate at the Syndicate ASBA Bidding Locations, as the case may be, through whom the original Bid was placed and obtain a revised acknowledgment, as the case may be;
- (xv) Except for Bids (i) on behalf of the Central or State Government and the officials appointed by the courts, and (ii) from the residents of the state of Sikkim (subject to SEBI circular dated April 3, 2008), each of the Bidders should mention their PAN allotted under the I.T. Act. The exemption for the Central or State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details (as defined below) received from the respective Depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in active status; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. Applications in which the PAN is not mentioned will be rejected;
- (xvi) Ensure that the Demographic Details are updated, true and correct in all respects;
- (xvii) Ensure that signatures other than in the languages specified in the Eighth Schedule to the Constitution of India is attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;
- (xviii) Ensure that you Bid only through the ASBA process if you are a QIB (other than an Anchor Investor) or a Non Institutional Bidder;
- (xix) Ensure that the DP ID, Client ID and PAN mentioned in the Bid cum Application Form match with the DP ID, Client ID and PAN available in the depository database; and



- (xx) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. If the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names (not more than three) and such names are in the same sequence in which they appear in the Bid cum Application Form.

***Don'ts:***

- (i) Do not Bid for lower than the minimum Bid size;
- (ii) Do not submit a Bid without payment of the entire Bid Amount;
- (iii) Do not Bid or revise the Bid to less than the Floor Price or higher than the Cap Price;
- (iv) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate or the Designated Branch;
- (v) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest and in relation to ABSA Bidders in any other mode other than blocked amounts in the ASBA Accounts;
- (vi) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or Designated Branch or a member of the Syndicate at the Syndicate ASBA Bidding Location, as applicable;
- (vii) In case of ASBA Bidders, do not submit the Bid cum Application Forms to a member of the Syndicate at a location other than the Syndicate ASBA Bidding Locations and unless the SCSB where the ASBA Account is maintained as specified in the Bid cum Application Form has named at least one branch in the relevant Syndicate ASBA Bidding Location for the members of the Syndicate to deposit the Bid cum Application Forms;
- (viii) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders);
- (ix) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceed the Issue size and/or investment limit or maximum number of Equity Shares that can be held under applicable law or the maximum amount permissible under applicable regulations or as per the terms of this Draft Red Herring Prospectus;
- (x) Do not submit more than five Bid cum Application Forms per ASBA Account;
- (xi) Payment of Bid Amounts in any mode other than through blocking of Bid Amounts in the ASBA Accounts shall not be accepted under the ASBA;
- (xii) Do not submit the general index registration number (“**GIR Number**”) instead of the PAN as the Bid shall be rejected on this ground;
- (xiii) Do not submit a Bid in case not competent to contract under the Indian Contract Act, 1872;
- (xiv) Do not submit incorrect DP ID, Client ID and PAN or give details for which beneficiary account is suspended or for which such details cannot be verified by the Registrar to the Issue;
- (xv) Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or their relevant constitutional documents or otherwise;
- (xvi) Do not submit a Bid that does not comply with the securities laws of your respective jurisdictions.

**Method and Process of Bidding**

- (i) The Red Herring Prospectus filed with the RoC will contain the Bid/Issue Opening Date and the Bid/Issue Closing Date. Our Company and the BRLM will and publish these dates through an advertisement published in terms of Section 66 of the Companies Act and which shall contain the

disclosure requirements as specified under Schedule XIII of the SEBI ICDR Regulations in [●] editions of [●] and [●] editions of [●] (one in English and one in Hindi, which is also the regional newspaper in the city where our Office is located).

- (ii) The Price Band and the minimum Bid lot size for the Issue will be decided by our Company in consultation with the BRLM, and advertised at least two Working Days prior to the Bid/Issue Opening Date in [●] editions of [●] and [●] editions of [●] (one in English and one in Hindi, which is also the which is also the regional newspaper in the city where our Office is located).
- (iii) The BRLM will accept Bids from the Anchor Investors on the Anchor Investor Bidding Date, *i.e.* one Working Day prior to the Bid/Issue Opening Date. Bidders, except Anchor Investors, who are interested in subscribing to the Equity Shares should approach any of the members of the Syndicate, their authorised agents or SCSBs to register their Bids, during the Bid/Issue Period. The members of the Syndicate will accept Bids from the all Bidders and will have the right to vet the Bids, during the Bid/Issue Period in accordance with the terms of the Syndicate Agreement and the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
- (iv) The Bid/Issue Period will be for at least three Working Days and not exceeding 10 Working Days (including the days for which the Issue is open in case of revision in Price Band). If the Price Band is revised, the revised Price Band and the Bid/Issue Period will be published in two national daily newspapers, each with wide circulation, in English and in Hindi (which is also the regional newspaper in the city where our Office is located), together with an indication of such change on the website of the BRLM and at the terminals of the Syndicate Member(s) and intimated to the SCSBs.
- (v) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for more information, see “**Bids at Different Price Levels**” below, 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/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
- (vi) The Bidder cannot Bid through more than one Bid cum Application Form. Submission of an additional Bid cum Application Form to either the same or to another member of the Syndicate or an SCSB, as the case may be, will be treated as multiple Bids and is liable to be rejected at any point in time before the Allotment. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under “**Build up of the book and revision of Bids**” on page 210, provided that Bids submitted by a QIB in the Anchor Investor Portion and in the QIB Portion (excluding Anchor Investor Portion) will not be considered as Multiple Bids.
- (vii) Except in relation to the Bids received from the Anchor Investors, the members of the Syndicate or the SCSBs will enter each Bid option into the electronic Bidding system as a separate Bid and generate an acknowledgement for each price and demand option and will, on demand, give the same to the Bidder.
- (viii) For ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, each Bid option will be entered into the electronic Bidding system as a separate Bid and a acknowledgement shall be generated for each price and demand option. The Bid cum Application Form shall be deposited with the relevant branch of the SCSB at the relevant Syndicate ASBA Bidding Location authorised to accept such Bid cum Application Forms from the members of the Syndicate (a list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). On receipt of the Bid cum Application Forms deposited by the members of Syndicate, the relevant branch of the SCSB shall verify if sufficient funds equal to, or more than the Bid Amount are available in the ASBA Account, as mentioned in the Bid cum Application Form. If sufficient funds are not available in the ASBA Account, the relevant ASBA Bids will be rejected. If sufficient funds are available in the ASBA Account, the relevant branch of the SCSB shall block an amount equivalent to the Bid Amount mentioned in the Bid cum Application Form.
- (ix) For ASBA Bids submitted directly to the SCSBs, whether in physical or electronic mode, the

respective Designated Branch shall verify if sufficient funds equal to, or more than the Bid Amount are available in the ASBA Account, as mentioned in the Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges. If sufficient funds are not available in the ASBA Account, the respective Designated Branch shall reject such Bids and shall not upload such Bids with the Stock Exchanges. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the Bid cum Application Form and will enter each Bid option into the electronic Bidding system as a separate Bid and generate an acknowledgement for each price and demand option. The acknowledgement shall be furnished to the ASBA Bidder on request.

- (x) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled “***-Payment Instructions***” on page 203.

#### **Bids at Different Price Levels and Revision of Bids**

- (i) The Price Band and the minimum Bid lot size will be decided by our Company in consultation with the BRLM and advertised at least two Working Days prior to the Bid/Issue Opening Date, in [●] editions of [●] and [●] editions of [●] (one in English and one in Hindi, which is also the regional newspaper in the city where our Office is located).
- (ii) Our Company in consultation with the BRLM, reserve the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI ICDR Regulations. The Cap Price will be less than or equal to 120% of the Floor Price and the Floor Price will not be less than the face value of the Equity Shares. The revision in Price Band will not exceed 20% on either side *i.e.* the floor price can move upward or downward to the extent of 20% of the floor price disclosed at least two Working Days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.
- (iii) In case of revision in the Price Band, the Bid/Issue Period will be extended for at least three additional Working Days after revision of Price Band subject to a maximum of 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in two national daily newspapers, each with wide circulation, in English and in Hindi (which is also the regional newspaper in the city where our Office is located), and by indicating the change on the websites of the BRLM, SCSBs and at the terminals of the Syndicate Member(s).
- (iv) Our Company in consultation with the BRLM can finalize the Issue Price and Anchor Investor Issue Price within the Price Band in accordance with this section, without the prior approval of or intimation to the Bidders.
- (v) The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may Bid at Cut-off Price. However, Bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders will be rejected.
- (vi) Retail Individual Bidders who Bid at the Cut-off Price agree that they will purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders Bidding at Cut-off Price will deposit the Bid Amount based on the Cap Price with the members of the Syndicate. In case of ASBA Bidders Bidding at Cut-off Price, the ASBA Bidders will instruct the SCSBs to block an amount based on the Cap Price. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price, the Retail Individual Bidders who Bid at Cut-off Price will receive the refund of the excess amounts from the Escrow Account(s) in the manner described in the section titled “***-Payment of Refunds***” on page 218.
- (vii) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the revised Cap Price (such that the total amount *i.e.*, original Bid Amount plus additional payment does not exceed ₹ 200,000 for Retail Individual Bidders, if the Bidder wants to continue to Bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (*i.e.*, original Bid Amount plus additional payment) exceeds ₹ 200,000 for Retail Individual Bidders Bidding at the Cut-off Price the Bid will be considered for allocation in the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the

Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares Bid for will be adjusted downwards for the purpose of Allotment, such that no additional payment will be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

- (viii) 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 (which should not exceed ₹ 200,000 in order to be considered under the Retail Portion) or the excess amount paid at the time of Bidding will be refunded from the Escrow Account(s).
- (ix) Our Company in consultation with the BRLM will decide the minimum number of Equity Shares for each Bid to ensure that the minimum Bid value is within the range of ₹ 5,000 to ₹ 7,000. In the event of any revision in the Price Band, whether upward or downward, the minimum Bid size will remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum Bid is not in the range of ₹ 5,000 to ₹ 7,000.

#### **Bidder's PAN, Depository Account and Bank Account Details**

On the basis of Bidder's PAN, DP ID and Client ID provided by them in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges, the Registrar to the Issue will obtain from the Depository the Demographic Details, including the Bidder's address, occupation and bank account details including the nine-digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf ("Demographic Details"). These Demographic Details will be used for giving refunds and allotment advice (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders. Bidders are advised to immediately update their PAN and Demographic Details as appearing on the records of the Depository Participant and ensure that they are true and correct. Failure to do so could result in delays in dispatch/credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, the Registrar to the Issue, the Escrow Collection Banks, the SCSBs nor our Company will have any responsibility or undertake any liability for this. Accordingly, Bidders should carefully fill in their depository account details in the Bid cum Application Form.

**IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, DEPOSITORY PARTICIPANT'S NAME, DP ID AND CLIENT ID IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE DP ID, CLIENT ID AND PAN GIVEN IN THE BID CUM APPLICATION FORM IS THE SAME AS THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE DEPOSITORY DATABASE. INVESTORS MUST ENSURE THAT THE NAME GIVEN ON THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IF THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES (NOT MORE THAN THREE), 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.**

By signing the Bid cum Application Form, the Bidder is deemed to have authorised the Depositories to provide to the Registrar to the Issue, on request, the required Demographic Details as available in their records.

**Refund Orders (where refunds are not being made electronically)/allotment advice will be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Delivery of refund orders/allotment advice may be delayed if the same, once sent to the address obtained from the Depositories, are returned undelivered. In such event, the address and other details given by the Bidder (other than ASBA Bidders) in the Bid cum Application Form will be used only to ensure dispatch of refund orders. Any such delay will be at the Bidders sole risk and neither our Company nor Escrow Collection Banks nor the BRLM nor the members of the Syndicate nor the Registrar to the Issue will be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in this Draft Red Herring Prospectus, Bidders may note that refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.**

**In case no corresponding record is available with the Depositories, which matches the three parameters, namely, Bidders PAN (in case of joint Bids, PAN of first Bidder), the DP ID and Client ID, such Bids are**

liable to be rejected.

**Based on the information provided by the Depositories, the Company shall have the right to accept Bids belonging to an account for the benefit of a minor (under guardianship).**

## **Payment Instructions**

### ***Payment mechanism for ASBA Bidders***

For ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, the members of the Syndicate shall upload the ASBA Bid on the electronic Bidding system of the Stock Exchanges and deposit the Bid cum Application Form with the relevant branch of the SCSB at the Syndicate ASBA Bidding Locations authorised to accept such Bid cum Application Forms from the members of the Syndicate (a list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). The relevant branch of the SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the Bid cum Application Form.

For ASBA Bids submitted directly to the SCSBs, the relevant SCSB shall block an amount in the ASBA Account equal to, or more than the Bid Amount specified in the Bid cum Application Form, before entering the ASBA Bid into the electronic Bidding system. SCSBs may provide the electronic mode of Bidding either through an internet enabled Bidding and banking facility or such other secured, electronically enabled mechanism for Bidding and blocking funds in the ASBA Account.

**ASBA Bidders should ensure that they have funds equal to, or more than the Bid Amount in the ASBA Account before submitting the Bid cum Application Form to the members of the Syndicate at the Syndicate ASBA Bidding Locations or the respective Designated Branch. An ASBA Bid where the corresponding ASBA Account does not have sufficient funds equal to, or more than the Bid Amount at the time of blocking the ASBA Account will be rejected.**

In the event of withdrawal or rejection of the Bid cum Application Form or for unsuccessful Bid cum Application Forms, the Registrar to the Issue shall give instructions to the SCSB to unblock the application money in the relevant ASBA Account within 12 Working Days of the Bid/Issue Closing Date. The Bid Amount shall remain blocked in the ASBA Account until transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

### ***Escrow Mechanism for Bidders other than ASBA Bidders***

**The escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from Bidders.**

Our Company and the Syndicate will open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders will 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 will be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus, the Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders will maintain the monies in the Escrow Account(s) until the Designated Date. The Escrow Collection Banks will not exercise any lien whatsoever over the monies deposited therein and will hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks will transfer the funds represented by allotment of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Escrow Collection Banks. The balance amount after transfer to the Public Issue Account will be transferred to the Refund Account. Payments of refund to the Bidders will also be made from the Refund Account as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

### ***Payment into Escrow Accounts for Bidders other than ASBA Bidders***



Each Bidder (other than ASBA Bidders) will draw a cheque or demand draft or, for Anchor Investors, remit the funds electronically through the RTGS mechanism, for the entire Bid Amount as per the following terms:

- (i) All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.
- (ii) The Bidders will, with the submission of the Bid cum Application Form, draw a payment instrument for the entire Bid Amount in favour of the Escrow Account(s) and submit it to the member of the Syndicate. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order will not be accepted.
- (iii) The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:
  - In case of Resident Retail Individual Bidders: “Escrow Account- [●] Public Issue -R”
  - In case of Non-Resident Retail Individual Bidders: “Escrow Account- [●] Public Issue -NR”
- (iv) In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors will be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price within two Working Days of the Bid/Issue Closing Date. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors will not be refunded to them.
- (v) Our Company in consultation with the BRLM, in its absolute discretion, will decide the list of Anchor Investors to whom the allotment advice will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. The payment instruments for payment into the Escrow Account(s) for Anchor Investors should be drawn in favour of:
  - In case of resident Anchor Investors: “Escrow Account- [●] Public Issue -Anchor Investor-R ”
  - In case of non-resident Anchor Investors: “Escrow Account- [●] Public Issue -Anchor Investor-NR”
- (vi) In case of Bids by Eligible NRIs applying on repatriation basis, payments must be made by inward remittance in foreign exchange through normal banking channels or by debits to their NRE or FCNR accounts, maintained with banks authorised by the RBI to deal in foreign exchange, along with documentary evidence in support of the remittance. Payment will not be accepted out of 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. Eligible NRIs Bidding on a non-repatriation basis may make payments by inward remittance or by debits to NRE/FCNR/NRO/NRSR/NRNR accounts.
- (vii) Eligible NRIs Bidding on a non-repatriation basis may make payments by inward remittance or by debits to NRE/FCNR/NRO/NRSR/NRNR accounts.
- (viii) In case of Bids by FIIs (in the Anchor Investor Portion), the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance.
- (ix) The monies deposited in the Escrow Account(s) will be held for the benefit of the Bidders until the Designated Date.
- (x) On the Designated Date, the Escrow Collection Banks will transfer the funds from the Escrow Account(s) as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus into the Public Issue Account with the Escrow Collection Banks.
- (xi) Within 12 Working Days from the Bid/Issue Closing Date, the Registrar to the Issue will dispatch all refund amounts payable to unsuccessful Bidders and also any excess amount paid on Bidding, after adjusting for allocation/Allotment to the Bidders.

- (xii) Payments should be made by cheque, or demand draft drawn on any bank (including a cooperative 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 or postal orders will not be accepted.
- (xiii) Bidders are advised to mention the number of the Bid cum Application Form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

## Other Instructions

### *Joint Bids in case of Individuals*

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

### *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 PAN is 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 is made. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

In case of ASBA Bidders, after Bidding on a Bid cum Application Form either in physical or electronic mode, where such ASBA Bid is submitted to the Designated Branches of SCSBs or with the member of the Syndicate at a Syndicate ASBA Bidding Location, and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another Bid cum Application Form either through the ASBA or non-ASBA process. Submission of a second Bid cum Application Form will be treated as multiple Bids and will be 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 ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in “**-Build up of the Book and Revision of Bids**” on page 210.

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that not more than five Bid cum Application Forms may be submitted with respect to any single ASBA Account.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple Bids include the following:

- All Bids will be checked for common PAN as per Depository records. For Bidders other than Mutual Funds and FII sub-accounts, Bids bearing the same PAN will be treated as multiple Bids and are liable to be rejected.
- For Bids from Mutual Funds and FII sub-accounts, which are submitted under the same PAN, as well as Bids for whom the submission of PAN is not mandatory such as on behalf of the Central or State government, an official liquidator or receiver appointed by a court and residents of Sikkim, the Bids will be scrutinized for DP ID and Client ID. In case such Bids bear the same DP ID and Client ID, these will be treated as multiple Bids and are liable to be rejected.

Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all



categories. A check will be carried out for the same PAN, DP ID and Client ID. In cases where the PAN, DP ID and Client ID is same, such Bids will be treated as multiple applications.

### ***‘PAN’ or ‘GIR’ Number***

In accordance with the SEBI ICDR Regulations, the PAN will be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, the Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act.

The exemption is subject to the Depository Participants’ verifying the veracity of the identity of the Bidders by collecting sufficient documentary evidence in support of their address.

**Bid cum Application Forms without the PAN are liable to be rejected. In cases where the PAN is same, such Bids will be treated as multiple applications. Bidders should not submit the GIR Number instead of the PAN as the Bid is liable to be rejected on this ground. With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN has not been verified shall be suspended for credit and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.**

### ***Withdrawal of ASBA Bids***

ASBA Bidders can withdraw their ASBA Bids during the Bid/Issue Period by submitting a request to the member of the Syndicate or the Designated Branch, as the case may be, through whom the ASBA Bid had been placed. In case of ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, on receipt of the request for withdrawal from the ASBA Bidder, the relevant member of the Syndicate shall delete details of the withdrawn Bid cum Application Form from the electronic Bidding system of the Stock Exchanges and forwarding instructions to the relevant branch of the SCSB for unblocking of the funds in the ASBA Account, as necessary. In case of ASBA Bids submitted to the Designated Branch, on receipt of the request for withdrawal from the ASBA Bidder, the relevant Designated Branch shall delete the details of the withdrawn Bid cum Application Form from the electronic Bidding system of the Stock Exchanges and unblock the funds in the ASBA Account directly.

QIBs cannot withdraw their Bids after the Bid/Issue Closing Date. In case an ASBA Bidder (other than a QIB) wishes to withdraw the Bid after the Bid/Issue Closing Date, such Bidder may submit a withdrawal request to the Registrar to the Issue prior to the finalisation of Allotment. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file and give instruction to the SCSB for unblocking the ASBA Account.

### ***Right to Reject Bids***

In case of QIB Bidders Bidding in the QIB Portion, our Company, in consultation with the BRLM, may reject Bids provided that such rejection will be made at the time of acceptance of the Bid and the reasons for rejecting such Bids will be provided to such Bidder in writing. Further, QIB Bids can also be rejected on technical grounds. For details see “***Grounds for Technical Rejections***” page 207. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company has the right to reject Bids based only on technical grounds and/or as specified in the Red Herring Prospectus. However, our Company in consultation with the BRLM, reserves the right to reject any Bid received from Anchor Investors without assigning any reasons. Consequent refunds will be made through any of the modes described in the Red Herring Prospectus and will be sent to the Bidder’s address at the Bidder’s sole risk.

With respect to ASBA Bids, the Designated Branches of the SCSBs will reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in such ASBA Account. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company will have a right to reject the ASBA Bids only on technical grounds and/or as specified in the Red Herring Prospectus.

The Bidders are advised that in case the DP ID, Client ID and PAN mentioned in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate or the SCSBs, as the case may be, do not match with the DP ID, Client ID and PAN available in the depository database, the Bid is liable to be rejected.

## Grounds for Technical Rejections

Bidders are advised that incomplete Bid cum Application Forms and Bid cum Application Forms that are not legible will be rejected. Bidders are advised to note that Bids are liable to be rejected on technical grounds including the following:

- (i) Bids submitted by Retail Individual Bidders through the non-ASBA process, wherein the Bid Amount exceeds ₹ 200,000 upon revision of Bids;
- (ii) Bids by QIBs or Non-Institutional Bidders not submitting Bids through the ASBA process;
- (iii) Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- (iv) In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such will be entitled to apply (other than limited liability partnerships);
- (v) Where PAN is not as per the data in the beneficiary accounts;
- (vi) Bids for lower number of Equity Shares than specified for that category of Bidders;
- (vii) Bids at a price less than the Floor Price;
- (viii) Bids at a price over the Cap Price;
- (ix) Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
- (x) Submission of more than five Bid cum Application Forms per ASBA Account;
- (xi) Bids for number of Equity Shares which are not in multiples of [●];
- (xii) Multiple Bids as described in this Draft Red Herring Prospectus;
- (xiii) Bid cum Application Form does not have Bidder's depository account details or the details given are incomplete or incorrect;
- (xiv) Bid cum Application Forms are not registered by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- (xv) In case no corresponding record is available with the Depositories that matches three parameters namely, PAN (in case of joint Bids, PAN of the first Bidder), the DP ID and the Client ID;
- (xvi) Bids for amounts greater than the maximum permissible amounts prescribed by applicable law;
- (xvii) Bids by OCBs;
- (xviii) Bids by persons not competent to contract under the Indian Contract Act, 1872;
- (xix) Bids or revision thereof by QIB Bidders and Non-Institutional Bidders uploaded after 4.00 P.M. on the Bid/Issue Closing Date;
- (xx) Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- (xxi) Bids where clear funds are not available in Escrow Accounts as per final certificates from Escrow Collection Banks;
- (xxii) Bids not uploaded on the terminals of the Stock Exchanges;

- (xxiii) Application on plain paper;
- (xxiv) PAN not stated (except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts);
- (xxv) GIR Number furnished instead of PAN;
- (xxvi) Bidder category not ticked;
- (xxvii) In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents not being submitted;
- (xxviii) Bids accompanied by cash, stockinvest, money order or postal order;
- (xxix) Signature of sole and/or joint Bidders missing or not in the same sequence as appearing in the Depository's records. In addition, with respect to ASBA Bids, the Bid cum Application form not being signed by the ASBA Account holder, if the ASBA Account holder is different from the Bidder;
- (xxx) Bid cum Application Form does not have the stamp of the member of Syndicate or Designated Branches (except for electronic ASBA Bids), as the case may be;
- (xxxi) With respect to ASBA Bids, inadequate funds in the ASBA Account to block the Bid Amount specified in the Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account;
- (xxxii) Authorization for blocking funds in the ASBA Account not ticked; and
- (xxxiii) In case of Bid cum Application Forms submitted to the members of the Syndicate, if the SCSB whose name has been included in the Bid cum Application Form does not have a branch at the relevant Syndicate ASBA Bidding Locations, as displayed on the websites of SEBI, to accept the Bid cum Application Forms.

**For Bid cum Application Forms from non-ASBA Bidders, the Basis of Allotment will be based on the Registrar to the Issue's validation of the electronic Bid details with the depository records, and the complete reconciliation of the final certificates received from the Escrow Collection Banks with the electronic Bid details in terms of the SEBI circular CIR/CFD/DIL/3/2010 dated April 22, 2010 and the SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011. The Registrar to the Issue will undertake technical rejections based on the electronic bid details and the depository database. In case of any discrepancy between the electronic Bid data and the depository records, the Company in consultation with the BRLM, the Registrar to the Issue and the Designated Stock Exchange, reserves the right to proceed as per the depository records or treat such Bid as rejected.**

**For ASBA Bids submitted to the SCSBs, in terms of the SEBI circular CIR/CFD/DIL/3/2010 dated April 22, 2010, the Registrar to the Issue will reconcile the compiled data received from the Stock Exchanges and all SCSBs, and match such data with the depository database for correctness of DP ID, Client ID and PAN. In cases where any DP ID, Client ID and PAN mentioned in the Bid file for an ASBA Bidder does not match the one available in the depository database, the Issuer reserves the right to proceed as per the depository records for such ASBA Bids or treat such ASBA Bids as rejected. The Registrar to the Issue will reject multiple ASBA Bids based on common PAN.**

**For ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, the Basis of Allotment will be based on the Registrar to the Issue's validation of the electronic bid details with the depository records, and the complete reconciliation of the final certificates received from the SCSBs with the electronic bid details in terms of the SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011. The Registrar to the Issue will undertake technical rejections based on the electronic bid data and the depository records, the Issuer in consultation with the Designated Stock Exchange, the BRLM and the Registrar to the Issue, reserves the right to proceed as per the depository records or treat such ASBA Bid as rejected.**

#### **Electronic Registration of Bids**

- (i) The members of the Syndicate and the SCSBs will register the Bids received, except Bids received from Anchor Investors, using the online facilities of the Stock Exchanges. Details of Bids in the Anchor Investor Portion will not be registered on the online facilities of the Stock Exchanges. There will be at least one online connectivity in each city where the Stock Exchanges are located in India and where such Bids are being accepted. It will be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account. The members of the Syndicate and the SCSBs shall be responsible for any error in the Bid details uploaded by them.
- (ii) In case of apparent data entry error by the members of the Syndicate or the collecting bank (for Bids other than ASBA Bids), or by the members of the Syndicate at the Syndicate ASBA Bidding Locations or the SCSBs, in entering the Bid cum Application Form number in their respective schedules other things remaining unchanged, the Bid cum Application Form may be considered as valid.
- (iii) The Stock Exchanges will offer an electronic 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 and the SCSBs during the Bid/Issue Period. The members of the Syndicate and the Designated Branches 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 Process on a regular basis. On the Bid/Issue Closing Date, the members of the Syndicate and the Designated Branches shall upload the Bids until such time as may be permitted by the Stock Exchanges. This information will be available with the members of the Syndicate on a regular basis. Bidders are cautioned that a high inflow of high volumes on the last day of the Bid/Issue Period may lead to some Bids received on the last day not being uploaded and such Bids will not be considered for allocation. Bids will only be accepted on Working Days, *i.e.*, Monday to Friday (excluding any public holiday).
- (iv) On the Bid/Issue Closing Date, the members of the Syndicate and the Designated Branches of the SCSBs will upload the Bids until such time as may be permitted by the Stock Exchanges. In order to ensure that the data uploaded is accurate, the Syndicate may be permitted one Working Day after the Bid/Issue Closing Date to amend some of the data fields (currently DP ID or Client ID) entered by them in the electronic Bidding system.
- (v) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges a graphical representation of consolidated demand and price will be made available at the Bidding centres and at the websites of each of the Stock Exchanges during the Bid/Issue Period.
- (vi) At the time of registering each Bid (other than ASBA Bids), the members of the Syndicate shall enter the following details of the Bidder in the electronic system:
  - Bid cum Application Form number.
  - PAN (of the first Bidder, in case of more than one Bidder).
  - Investor Category and sub-category.
  - DP ID.
  - Client ID.
  - Numbers of Equity Shares Bid for.
  - Price option and Bid Amount.
  - Cheque amount.
  - Cheque number.

With respect to ASBA Bids, submitted directly to the SCSBs at the time of registering each Bid, the Designated Branches shall enter the following information pertaining to the Bidder in to the electronic system:

- Bid cum Application Form number.
- PAN (of the first Bidder, in case of more than one Bidder).
- Investor Category and sub-category.
- DP ID.
- Client ID.
- Numbers of Equity Shares Bid for.

- Price option and Bid Amount.
- Bank account number.

With respect to ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, at the time of registering each Bid, the members of Syndicate shall enter the following details on the electronic system:

- Bid cum Application Form number.
  - PAN (of the first Bidder, in case of more than one Bidder).
  - Investor Category and sub-category.
  - DP ID.
  - Client ID.
  - Numbers of Equity Shares Bid for.
  - Price option and Bid Amount.
  - Bank code for the SCSB where the ASBA Account is maintained.
  - Location of Syndicate ASBA Bidding Location.
- (vii) A system generated acknowledgement, on demand, 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 acknowledgement from the members of the Syndicate or Designated Branches.** The registration of the Bid by the member of the Syndicate or the Designated Branches does not guarantee that the Equity Shares will be allocated/Allotted.
- (viii) Such acknowledgement will be non-negotiable and by itself will not create any obligation of any kind.
- (ix) In case of QIBs, the Company, in consultation with the BRLM, has a right to accept the Bid or reject it. However, such rejection will be made at the time of receiving the Bid cum Application Form and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids may be rejected on technical grounds. The members of the Syndicate/SCSBs may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect.
- (x) The permission given by the Stock Exchanges to use their network and software of the online electronic 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 the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company our Promoters, our management or any scheme or project of our Company 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 or the Red Herring Prospectus or the Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
- (xi) Only Bids that are uploaded on the online system of the Stock Exchanges will be considered for allocation/Allotment. The members of the Syndicate will be given one Working Day after the Bid/Issue Closing Date to make modifications of certain information and verify the information uploaded on the online system during the Bid/Issue Period after which the Registrar to the Issue will proceed with the Allotment of Equity Shares.
- (xii) Details of Bids in the Anchor Investor Portion will not be registered on the online system of the Stock Exchanges.

#### **Build up of the book and revision of Bids**

- (i) Bids received from various Bidders through the members of the Syndicate and the SCSBs will be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.
- (ii) The book gets built up at various price levels. This information will be available with the BRLM at the end of the Bid/Issue Period.

- (iii) During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (iv) 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 such Bidder 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 and the Designated Branches will not accept incomplete or inaccurate Revision Forms.
- (v) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the Designated Branch of the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (vi) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) (a), in case of ASBA Bids, issue instructions to block an additional amount based on cap of the revised Price Band in the ASBA Account, to the same member of the Syndicate or the same Designated Branch (as the case may be) through whom such Bidder had placed the original Bid, or (b) in case of Bids other than ASBA Bids, make additional payment based on the cap of the revised Price Band to the same member of the Syndicate through whom such Bidder had placed the original Bid, such that the total amount payable *i.e.*, original Bid Amount plus additional payment does not exceed ₹ 200,000 if the Bidder wants to continue to Bid at Cut-off Price). Where the Bid Amount is over ₹ 200,000, Bidders (other than Anchor Investors) must ensure that they apply only through the ASBA route. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (vii) 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 unblocked in case of ASBA Bids or refunded from the Escrow Account in case of Bids other than ASBA Bids.
- (viii) Any revision of the Bid will be accompanied by payment in the form of cheque or demand draft for any incremental amount to be paid on account of the upward revision of the Bid. With respect to ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB will block the additional Bid Amount. In case of Bids other than ASBA Bids, the members of the Syndicate will collect any payment to be paid on account of the upward revision of the Bid at the time of one or more revisions, in the form of cheque or demand draft. In such cases the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar to the Issue will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.
- (ix) When a Bidder revises his or her Bid, he or she will surrender the earlier acknowledgement and will, on demand, receive a revised acknowledgement from the members of the Syndicate or Designated Branches, as applicable. It is the responsibility of the Bidder to request for and obtain the revised acknowledgement, which will act as proof of his or her having revised the previous Bid.

### **Price Discovery and Allocation**

- (i) Based on the demand generated at various price levels, our Company in consultation with the BRLM will finalize the Issue Price.



- (ii) Allocation to Anchor Investors will be at the discretion of our Company in consultation with the BRLM, subject to compliance with the SEBI ICDR Regulations. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares will be added to the QIB Portion. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, will be made available in public domain by the BRLM before the Bid/Issue Opening Date.
- (iii) If the aggregate demand by Mutual Funds in the Mutual Fund Portion is less than 977,166 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. Any under-subscription in any category will 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.
- (iv) Allocation to Non-Residents, including Eligible NRIs, and FIIs will be subject to applicable law.
- (v) The BRLM in consultation with our Company will notify the members of the Syndicate of the Issue Price and allocations to Anchor Investors, where the full Bid Amount has not been collected from the Anchor Investors due to the Issue Price being higher than the Anchor Investor Issue Price.
- (vi) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, but before the Allotment without assigning any reasons whatsoever.
- (vii) In terms of the SEBI ICDR Regulations, QIB Bidders Bidding in the QIB Portion will not be allowed to withdraw their Bid after the Bid/Issue Closing Date. Further, Anchor Investors will not be allowed to withdraw their Bid after the Anchor Investor Bidding Date.
- (viii) The Allotment details shall be displayed on the website of the Registrar to the Issue

#### **Signing of Underwriting Agreement and RoC Filing**

- (i) Our Company, the BRLM and the Syndicate Member(s) will enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.
- (ii) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with the RoC in terms of Section 56, 60 and 60B of the Companies Act, which then will be termed the 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

#### **Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company will, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in two national daily newspapers, each with wide circulation, in English and in Hindi (which is also the regional newspaper in the city where our Office is located).

#### **Advertisement regarding Issue Price and Prospectus**

Our Company 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, will indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of Allotment Advice**

- (i) On approval of the Basis of Allotment by the Designated Stock Exchange and on allotment of Equity Shares by the Board of Directors or any duly constituted committee thereof, the Registrar to the Issue shall dispatch a allotment advice to the Bidders who have been Allotted Equity Shares in the Issue. The dispatch of a allotment advice shall be deemed a valid, binding and irrevocable contract for the Bidder.
- (ii) The Issuance of allotment advice is subject to "*Notice to Anchor Investors: Allotment Reconciliation*"



as set forth below.

### **Notice to Anchor Investors: Allotment Reconciliation**

A physical book will be prepared by the Registrar to the Issue on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Company and the BRLM, selected Anchor Investors will be sent an allotment advice indicating the number of Equity Shares that may be allocated to them post Anchor Investor Bid/Issue Period. In the event that the Issue Price is higher than the Anchor Investor Issue Price, the Anchor Investors will be sent a revised allotment advice within one day of the Pricing Date indicating the number of Equity Shares allocated to such Anchor Investor and the pay-in date for payment of the balance amount. Anchor Investors should note that they shall be required to pay any additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised allotment advice within the pay-in date referred to in the revised allotment advice. The dispatch of an allotment advice or any revision thereof, will constitute a valid, binding and irrevocable contract for the Anchor Investor to pay the difference between the Issue Price and the Anchor Investor Issue Price and for the Allotment of Equity Shares to such Anchor Investors.

The final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalized at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors.

### **Designated Date and Allotment of Equity Shares**

- (i) Our Company will use best efforts to ensure that Allotment of Equity Shares and credit to successful Bidder's depository account are completed within 12 Working Days of the Bid/Issue Closing Date.
- (ii) In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment will be made only in dematerialised form to successful Bidders.
- (iii) Successful Bidders will have the option to re-materialize the Equity Shares so Allotted 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 Allotted to them in this Issue.**

### **Basis of Allotment**

#### ***For Retail Individual Bidders***

- (i) Bids received from Retail Individual Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Retail Individual Bidders will be made at the Issue Price.
- (ii) The Issue size less Allotment to Non-Institutional and QIB Bidders will 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 13,680,320 Equity Shares at or above the Issue Price, full Allotment will be made to successful Retail Individual Bidders, to the extent of their valid Bids.
- (iii) If the aggregate demand in this category is greater than 13,680,320 Equity Shares at or above the Issue Price, the Allotment will be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment, see below.

#### ***For Non-Institutional Bidders***

- (i) Bids received from Non-Institutional Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Non-Institutional Bidders will be made at the Issue Price.
- (ii) The Issue size less Allotment to QIBs and Retail Portion will 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 5,862,995 Equity Shares at or above the Issue Price, full Allotment will be made to Non-Institutional Bidders to the extent of their demand.

- (iii) If the aggregate demand in this category is greater than 5,862,995 Equity Shares at or above the Issue Price, Allotment will be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment see below.

***For QIBs in the QIB Portion (excluding the Anchor Investor Portion)***

- (i) Bids received from the QIB Bidders at or above the Issue Price will be grouped together to determine the total demand under this portion. Allotment to successful QIB Bidders will be made at the Issue Price. The QIB Portion will be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- (ii) Allotment will be undertaken in the following manner:
- In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding Anchor Investor Portion) will be determined as follows:
    - (a) In the event Mutual Fund Bids exceed 5% of the QIB Portion (excluding the Anchor Investor Portion), allocation to Mutual Funds will be done on a proportionate basis for up to 5% of the QIB Portion (excluding the Anchor Investor Portion).
    - (b) In the event the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor Portion) then all Mutual Funds will get full Allotment to the extent of valid Bids received above the Issue Price.
    - (c) Any Equity Shares remaining unsubscribed and not allocated to Mutual Funds will be available for Allotment to all QIB Bidders as set out below;
- (iii) In the second instance Allotment to all QIBs will be determined as follows:
- In the event of oversubscription in the QIB Portion (excluding the Anchor Investor Portion), all QIB Bidders who have submitted Bids above the Issue Price will be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
  - Mutual Funds which have received allocation as set out 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 (excluding the Anchor Investor Portion).
  - Any under-subscription from Mutual Funds below 5% of the QIB Portion (excluding Anchor Investor Portion) will be included for allocation to the remaining QIB Bidders on a proportionate basis.
- (iv) The aggregate Allotment to QIB Bidders including Anchor Investors will be up to 19,543,313 Equity Shares.

***For Anchor Investor Portion***

- (i) Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company, in consultation with the BRLM, subject to compliance with the following requirements:
- not more than 30% of the QIB Portion will be available for allocation to Anchor Investors;
  - one-third of the Anchor Investor Portion will be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
  - allocation to Anchor Investors will be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation up to ₹ 2,500 million and minimum number of

five Anchor Investors for allocation more than ₹ 2,500 million.

The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price will be made available in the public domain by the BRLM before the Bid/Issue Opening Date.

### Illustration of Allotment to QIBs, including Mutual Funds

#### (i) Issue Details

S. No.	Particulars	Issue details
1.	Issue size	200 million equity shares
2.	Portion available to QIBs*	100 million equity shares
3.	Anchor Investor Portion	30 million
4.	Portion available to QIBs* other than anchor investors [(2) – (3)]	70 million equity shares
	<i>Of which</i>	
a.	Reservation to MF (5%)	3.5 million equity shares
b.	Balance for all QIBs including MFs	66.5 million equity shares
5.	No. of QIB applicants	10
6.	No. of shares applied for	500 million equity shares

\* Where 50% of the issue size is required to be allotted to QIBs.

#### (ii) Details Of QIB Bids

S. No.	Type of QIB bidders	No. of shares bid for (in million)
1.	A1	50
2.	A2	20
3.	A3	130
4.	A4	50
5.	A5	50
6.	MF1	40
7.	MF2	40
8.	MF3	80
9.	MF4	20
10.	MF5	20
	<b>Total</b>	<b>500</b>

A1-A5 (QIB bidders other than MFs)

MF1-MF5 (QIB bidders which are MFs)

#### (iii) Details of Allotment to QIB Bidders

Type of QIB bidders	Equity shares bid for	Allocation of 3.5 million equity shares to MFs proportionately (See Note 2)	Allocation of balance 66.5 million equity shares to QIBs proportionately (See Note 4)	(No. of equity shares in million)	
				Aggregate allocation to MFs	
A1	50	0	6.65	0	
A2	20	0	2.66	0	
A3	130	0	17.29	0	
A4	50	0	6.65	0	
A5	50	0	6.65	0	
MF1	40	0.7	5.32	6.02	
MF2	40	0.7	5.32	6.02	
MF3	80	1.4	10.64	12.04	
MF4	20	0.35	2.66	3.01	
MF5	20	0.35	2.66	3.01	
<b>Total</b>	<b>500</b>	<b>3.5</b>	<b>66.5</b>	<b>30.1</b>	

#### Notes:

- (i) The illustration presumes compliance with the provisions of regulation 51(1) pertaining to minimum allotment.

- (ii) Out of 70 million equity shares allocated to QIBs, 3.5 million (*i.e.* 5%) will be allocated on proportionate basis among 5 mutual fund applicants who applied for 200 shares in QIB category.
- (iii) The balance 66.5 million equity shares [*i.e.* 70 – 3.5 (available for MFs)] will be allocated on proportionate basis among 10 QIB applicants who applied for 500 shares (including 5 MF applicants who applied for 200 shares).
- (iv) The figures at Col. No. IV are arrived as under:
  - For QIBs other than mutual funds (A1 to A5) = No. of shares bid for (*i.e.* Col II) X 66.5/496.5
  - For mutual funds (MF1 to MF5) = { (No. of shares bid for (*i.e.* Col II) less shares allotted (*i.e.*, col. III) } X 66.5/496.5
  - The numerator and denominator for arriving at allocation of 66.5 million shares to the 10 QIBs are reduced by 3.5 million shares, which has already been allotted to mutual funds at Col. No. (III).

### Method of Proportionate Basis of Allotment in the Issue

Except in relation to Anchor Investors, in the event of the Issue being over-subscribed, our Company will finalize the Basis of Allotment in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue will be responsible for ensuring that the Basis of Allotment is finalized in a fair and proper manner.

Except in relation to Anchor Investors, the Allotment will be made in marketable lots, on a proportionate basis as explained below:

- (i) Bidders will be categorised according to the number of Equity Shares applied for.
- (ii) The total number of Equity Shares to be allotted to each category as a whole will 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.
- (iii) 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.
- (iv) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment will be made as follows:
  - The successful Bidders out of the total Bidders for a category will be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is as far as possible, equal to, or more than the number of Equity Shares calculated in accordance with (ii) above; and
  - Each successful Bidder will be allotted a minimum of [●] Equity Shares.
- (v) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal will be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it will be rounded off to the lower whole number. Allotment to all in such categories will be arrived at after such rounding off.
- (vi) 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 will be first adjusted against any other category, where the allocated Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. Any Equity Shares remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors will be at the sole discretion of our Company in consultation with the BRLM.

### **Equity Shares in Dematerialised Form with NSDL or CDSL**

As per Section 68B of the Companies Act, the Allotment of Equity Shares in the Issue will be only in dematerialised form.

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- (i) Agreement dated [●], between NSDL, our Company and the Registrar to the Issue;
- (ii) Agreement dated [●], between CDSL, our Company and the Registrar to the Issue.

Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (i) A Bidder applying for Equity Shares must have at least one valid beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (ii) The Bidder must necessarily fill in the details (including the PAN, Client ID and DP ID) appearing in the Bid cum Application Form or Revision Form.
- (iii) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- (iv) 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.
- (v) Bid cum Application Forms or Revision Forms containing incomplete or incorrect details under the heading 'Bidders Depository Account Details' are liable to be rejected.
- (vi) With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN details have not been verified shall be suspended for credit and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.
- (vii) The Bidder is responsible for the correctness of his Demographic Details given in the Bid cum Application Form vis-à-vis those with his Depository Participant.
- (viii) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (ix) Trading in the Equity Shares will be in dematerialised form only, on the dematerialised segments of the 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, PAN, Client ID, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids submitted directly to the SCSBs, the name and address of the Designated Branch where the ASBA Bid was submitted and the ASBA Account number in which an amount equivalent to the Bid Amount was blocked with the copy to the relevant SCSB. For ASBA Bids, the Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances.

**Bidders 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. In case of ASBA Bids submitted with the Designated Branches, Bidders can contact the relevant Designated Branch.

### **Impersonation**

Attention of the Bidders is specifically drawn to the provisions of sub-Section (1) of Section 68 A of the Companies Act, 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.”*

### **Payment of Refunds**

In the case of Bidders other than ASBA Bidders, the Registrar to the Issue will obtain from the Depositories the Bidders’ bank account details, including the MICR code, on the basis of the DP ID and Client ID provided by the Bidders in their Bid cum Application Forms. Accordingly, Bidders are advised to immediately update their bank account details as appearing on the records of their Depository Participants. Failure to do so could result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay will be at the Bidders’ sole risk and neither our Company, the Registrar to the Issue, the Escrow Collection Banks, nor the Syndicate, will be liable to compensate the Bidders for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

In the case of Bids from Eligible NRIs and FIIs, any refunds, dividends, and other distributions, will normally be payable in Indian Rupees only and net of bank charges and/or commission.

### **Mode of Refunds**

#### ***For Bidders other than ASBA Bidders***

For Bidders other than ASBA Bidders, any payment of refund will be through any of the following modes:

- (i) NECS – Payment of refund will be through NECS for Bidders having an account at any of the centres specified by the RBI except where the applicant, being eligible, opts to receive refund through direct credit or RTGS. This mode of payment of refunds is subject to availability of complete bank account details, including the MICR code, from the Depositories.
- (ii) Direct Credit – Bidders having bank accounts with the Refund Bank, as per the Demographic Details received from the Depositories will be eligible to receive refunds through direct credit. Any bank charges levied by the Refund Bank will be borne by our Company.
- (iii) RTGS – Bidders having a bank account with a bank branch which is RTGS-enabled as per the information available on the RBI’s website and whose refund amount exceeds ₹ 0.2 million, will be eligible to receive refund through RTGS, provided the Demographic Details downloaded from the Depositories contain the nine digit MICR code of the Bidder’s bank which can be mapped with the RBI data to obtain the corresponding Indian Financial System Code (“IFSC”). Any bank charges levied by the Refund Bank will be borne by our Company. Any bank charges levied by the Bidders’ bank receiving the credit will be borne by the respective Bidders.
- (iv) NEFT – Payment of refund will be undertaken through NEFT wherever the Bidders’ bank branches are NEFT enabled and have been assigned the IFSC, which can be linked to an MICR code of that particular bank branch. The IFSC will be obtained from the website of the RBI as on a date prior to the date of payment of refund, duly mapped with an MICR code. In the event NEFT is not operationally



feasible, the payment of refunds will be made through any one of the other modes discussed in this section.

- (v) For all other Bidders, including those who have not updated their bank particulars with the MICR code, refund orders will be dispatched through speed or registered post at the Bidder's sole risk. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. Any bank charges for cashing such cheques, pay orders or demand drafts at other centers will be payable by the respective Bidders.

#### ***Unblocking of ASBA Accounts and Refunds for ASBA Bidders***

On the finalisation of the Basis of Allotment, the Registrar to the Issue shall send an appropriate request to the relevant SCSBs for unblocking the ASBA Accounts and for the transfer of requisite amount to the Public Issue Account. On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the Public Issue Account and shall unblock the excess amount, if any in the ASBA Account. The Bid Amount may also be unblocked in the ASBA Account in the event of withdrawal/failure of the Issue or withdrawal or rejection of the ASBA Bid, as the case may be. Instructions for unblocking of the ASBA Accounts will be made within 12 Working Days from the Bid/Issue Closing Date.

#### **Disposal of Applications and Application Moneys and Interest in Case of Delay**

With respect to Bidders other than ASBA Bidders, our Company will ensure dispatch of allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give credit of Equity Shares to the beneficiary account with Depository Participants within 12 Working Days from the Bid/Issue Closing Date.

In case of Bidders who receive refunds through NECS, NEFT, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working Days from the Bid/Issue Closing Date. A suitable communication will be sent to the Bidders receiving refunds through this mode within 12 Working Days from the Bid/Issue Closing Date, giving details of the bank where refunds will be credited along with amount and expected date of electronic credit of refund.

Our Company will use best efforts to ensure that all steps for completion of the necessary formalities for listing is completed and trading commences within 12 Working Days of the Bid/Issue Closing Date at all the Stock Exchanges where the Equity Shares are proposed to be listed.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, our Company further undertakes that:

- (i) Allotment of Equity Shares will be made only in dematerialised form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within 12 Working Days of the Bid/Issue Closing Date;
- (ii) With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in case the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days from the Bid/Issue Closing Date will be ensured. With respect to the ASBA Bidders' instructions for unblocking of the ASBA Accounts will be made within 12 Working Days from the Bid/Issue Closing Date; and
- (iii) If Allotment letters/refund orders have not been dispatched to the Bidders or if, in case the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or dematerialised credits are not made to investors within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money with interest as prescribed under Section 73 of the Companies Act.

#### **Letters of Allotment or Refund Orders or instructions to the SCSBs**

Our Company will ensure dispatch of any refund orders by speed or registered post at the sole or first Bidders' sole risk within 12 Working Days from the Bid/Issue Closing Date. Bidders to whom refunds are made through



electronic transfer of funds will be sent a letter by ordinary post, intimating them of the mode of credit of refund within 12 Working Days from the Bid/Issue Closing Date.

In the case of ASBA Bidders, the Registrar to the Issue will instruct the relevant SCSBs to unblock the funds in the relevant ASBA Accounts to the extent of the Bid Amounts specified in the Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids, within 12 Working Days of the Bid/Issue Closing Date.

#### **Interest in case of delay in dispatch of Allotment Letters or Refund Orders/instruction to SCSB by the Registrar to the Issue**

Allotment of Equity Shares in the Issue, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, will be made not later than 12 Working Days of the Bid/Issue Closing Date. If Allotment letters/refund orders have not been dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or dematerialised credits are not made to investors within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money with interest as prescribed under Section 73 of the Companies Act.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company as a Refund Bank and payable at par at places where Bids are received. Any bank charges for encashing such cheques, pay orders or demand drafts at other centres will be payable by the respective Bidders.

#### **Undertakings by our Company**

Our Company undertakes the following:

- (i) That the complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily;
- (ii) That all steps will be taken for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days of the Bid/Issue Closing Date;
- (iii) That funds required for making refunds to unsuccessful Bidders as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Company;
- (iv) That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working Days from the Bid/Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- (v) That the refund orders to Bidders including Eligible NRIs (other than through electronic mode and for ASBA Bidders) shall be dispatched within specified time;
- (vi) That no further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and
- (vii) That adequate arrangements shall be made to collect all Bid cum Application Forms in relation to ASBA and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment.

Our Company shall not have recourse to the Issue Proceeds until the final approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

#### **Utilisation of Issue Proceeds**

Our Board certifies that:

- (i) all monies received out of the Issue of Equity Shares to the public shall be transferred to separate bank account other than the bank account referred to in sub-Section (3) of Section 73 of the Companies Act;
- (ii) details of all monies utilised out of the Issue referred to in sub item (i) shall be disclosed and continue to be disclosed until the time any part of the Issue proceeds remains unutilized, under an appropriate separate head in the balance-sheet of the Issuer indicating the purpose for which such monies had been utilised; and
- (iii) details of all unutilized monies out of the Issue of Equity Shares referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

### **Withdrawal of the Issue**

Our Company in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment. If our Company withdraws the Issue, our Company will issue a public notice within two days, providing reasons for not proceeding with the Issue. The BRLM, through the Registrar to the Issue, will notify the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such notification. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared, and the Stock Exchanges will also be informed promptly.

If our Company withdraws the Issue after the Bid/Issue Closing Date and thereafter determines that it will proceed with an initial public offering of Equity Shares, it will file a fresh offer document with SEBI or the Stock Exchanges, as the case may be.

We are also required to obtain final acknowledgement of the Prospectus from the RoC after it is filed with the RoC. Notwithstanding the foregoing, subsequent to Allotment, the Issue is subject to obtaining the final listing and trading approval of the Stock Exchange, which the Company shall apply for only after Allotment.

## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI and the FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the manner in which such investment may be made. Under the Industrial Policy, 1991, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

Under the automatic route, no prior approval of the GoI is required for the issue of securities by Indian companies, subject to the sectoral caps and other prescribed conditions. Under the Consolidated FDI Policy as issued by the DIPP from time to time, applicable to our Company, foreign equity participation up to 100% is permissible under the automatic route subject to compliance with certain conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities.

### Subscription by foreign investors – Investment by FIIs

FIIs including institutions such as pension funds, mutual funds, investment trusts, insurance and reinsurance companies, international or multilateral organizations or their agencies, foreign governmental agencies, foreign central banks, asset management companies, investment managers or advisors, nominee companies, power of attorney holders, banks, trustees, endowment funds, university funds, foundation or charitable trusts or societies and institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under the FEMA. FIIs must also comply with the provisions of the FII Regulations. The initial registration with the SEBI and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely, securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

FIIs are permitted to purchase shares of an Indian company through public/private placement under:

- i. Regulation 5 (1) of the FEMA Regulations, subject to terms and conditions specified under Schedule 1 of the FEMA Regulations (“**FDI Route**”).
- ii. Regulation 5 (2) of the FEMA Regulations subject to terms and conditions specified under Schedule 2 of the FEMA Regulations (“**PIS Route**”).

In case of investments under the FDI Route, investments are made either directly to the company account, or through a foreign currency denominated account maintained by the FII with an authorised dealer, wherein Form FC-GPR is required to be filed by the company. Form FC-GPR is a filing requirement essentially for investments made by non-residents under the ‘automatic route’ or ‘government approval route’ falling under Schedule 1 of the FEMA Regulations.

In case of investments under the PIS Route, investments are made through special non-resident rupee account, wherein Form LEC (FII) is required to be filed by the designated bank of the FII concerned. Form LEC (FII) is a filing requirement for FII investment (both in the primary as well as the secondary market) made through the PIS Route.

Foreign investment under the FDI Route is restricted/prohibited in sectors provided in part A and part B of Annexure A to Schedule 1 of the FEMA Regulations.

### Ownership Restrictions of FIIs

The issue of securities to a single FII under the PIS Route should not exceed 10% of the issued and paid-up capital of the company. In respect of an FII investing in securities on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued and paid-up capital. The aggregate FII holding in a company cannot exceed 24% of its total paid-up capital. The said 24% limit can be increased up to the sectoral cap/statutory ceiling, as applicable by passing a resolution by the board of directors followed by

passing a special resolution to that effect by the shareholders of the company. Our Company has not passed any resolution to increase the limit of FII holding in the Company.

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 the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the FII Regulations, an FII may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or its Sub-Account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity. FIIs and their sub-accounts are not allowed to issue offshore derivative instruments with underlying as derivatives.

### **Foreign Direct Investment**

FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending on the sector in which FDI is sought to be made. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities.

Under the approval route, prior approval of the FIPB and/or RBI is required. FDI for the items/activities not under the automatic route (other than in prohibited sectors) may depending on the activity be brought in through the approval route. Further:

- (a) As per the sector specific guidelines of the GoI, 100% FDI/NRI investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.
- (b) Minimum Capitalisation Norms for fund-based NBFCs are the following:
  - (i) For FDI up to 51% - US\$ 500,000 to be brought upfront
  - (ii) For FDI above 51% and up to 75% - US\$ 5 million to be brought upfront
  - (iii) For FDI above 75% and up to 100% - US\$ 50 million out of which US\$ 8 million to be brought upfront and the balance in 24 months
- (c) Minimum capitalisation norm of US\$ 5,00,000 is applicable in respect of all permitted non-fund based NBFCs with foreign investment
- (d) 100% foreign owned NBFCs with a minimum capitalisation of US\$ 50 million can set up step down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bringing in additional capital.
- (e) Joint ventures operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capitalisation norms mentioned in (b) above.

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, the prior approval of the RBI may not be required other than in certain circumstances although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non resident purchaser.

NBFCs having FDI are required to submit a certificate from the statutory auditors on half yearly basis certifying compliance with the terms and conditions of the FDI regulations. Such certificate should be submitted not later than one month from the close of the half year to which the certificates pertains to the regional office of the RBI in whose jurisdiction the head office of the Company is registered.

## **Calculation of total foreign investment in Indian companies**

Foreign investment in Indian securities is regulated by the industrial policy of the GoI consolidated under Consolidated FDI Policy which came into effect from April 1, 2011, and was released by the DIPP, Ministry of Commerce and Industry and notifications issued by RBI from time to time. Under the industrial policy of the GoI, 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.

Chapter 4 of the Consolidated FDI Policy provides the method of calculating foreign investment in an Indian company.

Foreign investment is defined broadly and includes FDI, investment by FIIs and NRIs, and foreign investment in the form of American depositary receipts, global depositary receipts, foreign currency convertible bonds, convertible preference shares and convertible debentures.

The Consolidated FDI Policy specifies that all investments made directly by a non-resident entity in an Indian company would be considered as foreign investment. Further, in relation to an investment by an Indian company in another Indian company, if (i) the investing Indian company is owned and controlled by resident Indian citizens, and (ii) foreign entities do not own or control the investing Indian company, then the foreign investment in the investing Indian company will not be considered for calculation of the foreign investment in the second Indian company. However, if the requirements under (i) and (ii) above are not satisfied, then the entire investment of the investing Indian company in the second Indian company being invested in will be considered foreign investment.

Pursuant to the Consolidated FDI Policy, an investing company shall be considered (i) “owned” by resident Indian citizens or foreign entities if more than 50% of its equity interest is beneficially owned by resident Indian citizens or foreign entities, as the case may be, and (ii) “controlled” by resident Indian citizens or foreign entities if the resident Indian citizens or foreign entities, as the case may be, have the power to appoint a majority of its directors.

The Consolidated FDI Policy provides guidelines relating to downstream investments by Indian companies that are owned and/or controlled by foreign entity(ies). Any investments by such company(ies) in other Indian company(ies) has to be in compliance with the relevant sectoral conditions on entry route, conditionalities and caps with regard to the sector in which such investee company(ies) is operating.

The Consolidated FDI Policy further provides that foreign investment in an Indian company that does not have (i) any operations, and (ii) any downstream investments, will require the prior approval of the FIPB. Further as and when such company commences business or makes downstream investment, it will have to comply with the relevant sectoral conditions on entry route, conditionalities and caps.

## **Subscription by a person resident outside India**

A person residing outside India (other than a citizen of Pakistan or Bangladesh) or any entity incorporated outside India (other than an entity incorporated in Pakistan or Bangladesh) may purchase shares, convertible debentures or preference shares of an Indian company, subject to certain terms and conditions.

**As per existing regulations promulgated under the FEMA, Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws are allowed to participate in the Issue. NRIs, other than Eligible NRIs are not permitted to participate in this Issue. Further, OCBs cannot participate in the Issue.**

**There is no reservation for Eligible NRIs and FIIs and multi-lateral and bilateral development financial institutions. All Eligible NRIs and multi-lateral and bilateral development financial institutions FIIs will be treated on the same basis with other categories for the purpose of allocation.**

**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, except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in**

compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

#### **Representation from the Bidders**

No person shall Bid in Issue, unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Bidders will be required to confirm and will be deemed to have represented to our Company, the Underwriters, and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Underwriters, and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

**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 OCCUR AFTER THE DATE OF THE 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 VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act, and the SEBI ICDR Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures, their consolidation or splitting are as provided below. Each provision below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association

### CAPITAL AND SHARES

- 5.(a) The Authorised Capital of the Company is Rs. 100,00,00,000/- (Rupees one hundred crore) divided in 10,00,00,000 (Ten Crore) Equity Shares of Rs. 10/- each, with powers to the Company acting through its Directors to increase, reduce or modify its capital and to divide all or any of the shares in the capital of the Company, for the time being, Classify and reclassify such shares from shares of one class or classes and to attach thereto respectively such preferential, differed, qualified or other special rights, privileges, conditions or restrictions as may be determined by the Company in accordance with the Articles of the Association of the Company, and to vary, modify or abrogate or any such rights, privileges, conditions or restrictions in such manner and by such persons as may, for the times being, be permitted under the provisions of the Article of Association of the Company or legislative provisions, for the time being in force in that behalf.
- (b) Subject to the provisions of these Articles and the Act, the Company shall have power to issue Preference Shares which may at the option of the Company be liable to be redeemed out of profit or out of proceeds of a fresh issue of shares made for the purpose 4 of such redemption and the Board may, subject to the provisions of Section 80 of the Act, exercise such power in such manner as it may think fit.
- (c) In respect of terms of issue of shares, Articles No. 51, 52 and 53 shall apply.
6. Subject to the provisions of these Articles and to Section 81 of the Act, the shares shall be under control of the Board who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times, either at par or at a premium and for such Considerations as the Board may think fit or at a discount and subject to compliance with the provisions of section 79 of the Act, and with the sanction of the shareholders in general meeting, to give to any persons the option or right to call for any shares either at par or at premium and for such consideration as is deemed 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 so allotted may be issued as fully paid-up shares and if so issued, may be deemed as fully paid-up shares. Provided that, where at any time (after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of share in the Company made for the first time after its formation, whichever is earlier) it is proposed to increase the subscribed capital of the company by the allotment of further shares, subject to the provision of section 81(IA) of the Act, the Board shall issue such shares in the manner set out in Section 81(1) of the Act. Option or right to call on shares shall not be given to any person without the sanction of the Company in general meeting.
7. Where at any time after the expiry of two years from formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, then
  - (a) such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on these shares at that date.
  - (b) the offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
  - (c) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any person and the notice referred to in sub-clause (b) shall contain a statement of this right.
  - (d) after the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they may think, most beneficial to the company.
8. Notwithstanding anything contained in Article 7, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of Article 7) in any manner whatsoever.
  - (a) if a Special Resolution to that effect is passed by the Company in General Meeting; or



- (b) where no such Resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by members who being entitled to do so. vote in person, or where proxies are allowed, by proxy, exceed the votes, if any cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- 9. Nothing in sub-clause (c) of Article 7 above shall be deemed:
  - (a) to extend the time within which the offer should be accepted: or
  - (b) to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- 10. Nothing in Articles 7, 8 and 9 shall apply to the increase of the subscribed capital caused by the exercise of an option attached to the debentures issued by the Company
  - (a) to convert such debentures or loans into shares in the Company: or
  - (b) to subscribe for shares in the Company.

Provided that the terms of issue of such debentures or the terms of such loans include a term provided for such option and such term:

  - (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules; if any, made by, that Government in this behalf; and
  - (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the loans.
- 11. Subject to the provisions of Section 94 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 subdivided, may determine that, as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others. 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.
- 12. The Company or any shareholder may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act or any statutory modification thereto or re-enactment thereof. The Company shall cause to be kept a Register and Index of Members in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with details of shares held in physical and dematerialised forms in any medium as may be permitted by law including in any form of electronic medium. The Company shall be entitled to keep in any State or Country outside India a branch Register of Members Resident in that State or Country.
- 13. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting by a Special Resolution.
- 14. As regards all allotments made from time to time, the Company shall duly comply with Section 75 of the Act.
- 15. The Company shall comply with Section 69 of the Act in respect of any offer of its shares to the public for subscription.
- 16. The Directors shall have power, at their discretion, to convert the unissued equity shares into redeemable preference shares and vice-versa and Company may, subject to sanction of three-fourth of the existing shareholders, issue any part or parts of the unissued shares either equity or preference carrying a right to redemption out of the profits or liable to be so redeemed at the option of company, upon such terms and condition and with such rights and privileges annexed thereto as the directors at their discretion may think fit and proper, but subject to the provisions of Sections 86.87 and 88 of the Act, the Directors may issue such shares with preferential or qualifying rights to dividends and for the distribution of the assets of the Company as the Directors may, subject to the aforesaid Sections, determine from time to time.
- 17. The Company may exercise the power of paying commission conferred by Section 76 of the Act and such case shall comply with the requirements of that Section. Such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

18. With the previous authority of the Company in General Meeting and with sanction of the Company Law Board and upon otherwise complying with Section 79 of the Act, the Board may issue at a discount shares of a class already issued.
19. If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by installments then every such installment shall, when due, be paid to the Company by the person who, for the time being, shall be the registered holder of the share or by his executor or administrator.
20. The joint-holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share.
21. Save as herein otherwise provides and Subject to Section 187-C of the Act. The Company shall be entitled to treat the Registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as by statute required, be bound to recognize any equitable or other claim to or interest in such share on the part of any other claim to or interest in such share on the part of any other person.
22. Share may be registered in the name of any person, Company or other body corporate. Not more than four persons shall be registered as joint-holders of any share.

## CERTIFICATES

23. Subject to the provisions of the Companies (Issue of Share Certificates) Rules, 1960, or any statutory modification or re-enactment thereof, share scripts shall be issued as follows.
  - (i) The certificates of title to shares and duplicate thereof, when necessary, shall be issued under the seal of the Company which shall be affixed in the presence of:
    - (a) Two Directors or a Director and a person acting on behalf of another Director under a duly registered power-of-attorney or two persons acting as attorneys for two Directors as aforesaid; and
    - (b) The Secretary or some other person appointed by the Board for the purpose all of whom shall sign such share certificate, provided that, if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing or whole time Director or a Director to whom Section 161 of the Act applies:
  - (ii) Every member shall be entitled free of charge to one certificate for all the share of each class registered in his name or. If the Board so approves, to several certificates each for one or more of such shares but, in respect of each additional certificate, the company shall be entitled to charge a fee as agreed upon or such less sum as the Board may determine. Unless the condition of issue of any share otherwise provide, the Company shall within three months after that of either allotment and on surrender to the Company of its letter making the allotment to its fractional coupons of requisite value (save in the case of issue against letter of acceptance or of renunciation or in case of issue of bonus shares) or with in on month of receipt of the application for registration of the transfer of any of its shares, as the case may be, complete and have ready for delivery the certificates of such shares. In respect of any share held jointly by several persons, the Company shall not be bounded to issue more than one certificate and delivery of a certificate to one of several joint-holders shall be sufficient delivery to all such holders. 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 Board may prescribe or approve. 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 the Securities Contract (Regulation) Act, 1956 or any other act, or rules applicable in this behalf. The provisions of this Article shall mutatis mutandis apply to the debenture certificates of the Company.
  - (iii) No fee shall be charged for-
    - (a) Registration of transfer shares.
    - (b) Sub-division and consolidation of share and debenture certificates and for subdivision of letters of allotment and Split. Consolidation, Renewal and Pokka Transfer Receipts into denominations corresponding to the market units of trading.
    - (c) Subdivision of renounceable Letter of Right.
    - (d) Issue of new certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilised.
    - (e) Registration of any Power of Attorney; Probate, Letters of Administration or similar other documents.
  - (iv) The fee that may be agreed upon with exchange will be charged for:-
    - (a) Issue of new certificates in replacement of those that are torn, defaced, lost or destroyed.
    - (b) Subdivision and consolidation of share and debenture certificates and for subdivision of Letters of Allotment and Split, Consolidation, Renewal and Pokka Transfer Receipt into denominations other than those fixed for the market unit of trading.

- (v) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe (except in the case of such replacements as are described in 16(iii)(d) hereinabove), 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 rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provisions of this Article shall mutatis mutandis apply to the debenture certificates of the Company,

## **CALLS**

24. The Board may, from time to time, subject to the terms on which any shares may have been issued, and subject to the provision of Section 91 of the Act, make such calls as the Board thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and not be the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the time and places appointed by the board. A call may be made payable by installment and shall be deemed to have been made when the resolution of the Board authorising such call was passed.
25. No call shall exceed one-half of the nominal amount of share or be made payable within one month after the last preceding call was payable. Not less than one month notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.
26. (i) If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the holder for the time being in respect of the share for which the calls have been made or the instalment are due shall pay interest on the same at the rate of 12 percent per annum, from the day appointed for payment thereof to the time of the actual payment or at such lower rate (if any) as the Board may determine.
- (ii) The Board shall be at liberty to waive payment of any such interest either wholly or in part.
27. If by the terms of any shares or otherwise any amount is made payable upon allotment or at any fixed time or by instalments at fixed times, whether on account of the amount of the share or by way of premium, every such amount of instalment shall be payable as if it were a call duly made by the Board and of which due notice had been given, and all the provisions a call duly made by the Board and of which due notice had been given, and all the provisions herein contained in respect of calls shall relate to such amount or instalment accordingly.
28. On the trial or hearing of any action or suit brought by the Company against any shareholder or his representatives to recover and debt or money claimed to be due to the Company in respect of his share, it shall be sufficient to prove that the name of the defendant is or was, when the claim arose, on the Register as a holder, or one of the holders of the number of shares in respect of which such claim is made, and that the amount claimed is not entered as paid in the books of the Company and it shall neither be necessary to prove the validity of the Board who made any call, nor that quorum 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.
29. The Directors may, if they think fit, subject to provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same, whole or any part of the moneys due upon the shares held by him beyond the sums actually called for and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceed the amount of the call then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The Members shall not be entitled to any voting rights in respect of the money so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company

The Board may at any time repay the amount so advanced upon giving to such member not less than three month's notice in writing.

30. A call may be revoked or postponed at the discretion of the Board.

## FORFEITURE AND LIEN

31. If any member fails to pay any call or instalment of a call, on or before the day appointed for the payment of the same, the Board may, at any time, thereafter during such time as the call or instalments remains unpaid, serve notice on such member 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.
32. The notice shall name a day (not being less than one month from the date of notice), and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time, and at the place appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.
33. If the requisition of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalment, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect.
34. When any share has been so forfeited notice of the resolution 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, but no forfeiture shall be in any manner, invalidated, by any omission or neglect to give notice or to make such entry as aforesaid.
35. Any share so forfeited shall be deemed to be the property of the Company and the board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit.
36. The Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise dispose of the same in such manner as it thinks fit.
37. A person whose share has been forfeited shall cease to be a member in respect of the share, but shall, notwithstanding, remain liable to pay, and shall forthwith pay to the Company, all calls, or instalments, interest and expenses, owing upon or in respect of such share at the time of the forfeiture, together with interest thereon from the time of forfeiture, at 12 percent interest per annum and the Board may enforce the payment thereof, or any part thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.
38. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands 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.
39. A duly verified declaration in writing that the declarant is a Director, Manger or Secretary of the Company and has been authorised by a Board Resolution to act as declarant and that certain shares in the Company have been duly forfeited 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 shares and such declaration and the receipt of the Company for the consideration, if any given for the shares on the sale or disposition thereof shall constitute a good title to such shares, and the person to whom any such share is sold shall be registered as the holder of such share and shall not be bound to see to the application of purchase money; nor shall his title to such share be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.
40. The provisions of Articles 24 to 31 hereof 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 a share or by way of premium, as if the same had been payable by virtue of call duly made and notified.
41. The Company shall have a first and paramount lien upon every share not being fully paid up registered in the name of each member (whether solely or jointly with others), and upon the proceeds of sale thereof, for money called or payable at a fixed time in respect of such share whether the time for the payment thereof shall have actually arrived or not and no equitable interest in any share shall be created except upon the footing and condition that Article 14 hereof is to have full effect. Unless otherwise agreed, the registration of a transfer of share shall operate as a waiver of the company's lien, if any, on such share. Such lien shall extend to all dividends and bonuses from time to time declared. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this Article.
42. For the purpose of enforcing such lien, the Board may sell the share subject thereto in such manner as it thinks fit, but no sale shall be made until such time for payment as aforesaid shall have arrived and until notice in writing of the intention to sell have been served on such member, his executor or administrator for the payment of the moneys called or payable at a fixed time in respect of such share for one month after the date of such notice.
43. The net proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the persons entitled to the share at the date of this sale.

44. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of the share sold and cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see the regularity of the proceedings, nor to the application of the purchase money and after his name has been entered in the Register in respect of such share 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.
45. Where any share under the power in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Board may issue new certificate for such share distinguishing it in such manner as it may think fit from the certificate not so delivered up, which shall stand cancelled and become null and void.

## **TRANSFER AND TRANSMISSION**

46. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Companies Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of share and the registration thereof.
47. Application for the registration of the transfer of share may be either by the transferor or the transferee provided that, where such application is made by the transferor no registration shall, in case of a partly paid shares be effected unless the Company gives notice of the application to the transferee in the manner prescribed by Section 110 of the Act and subject to provisions of these Articles, the Company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration of the transfer was made by the transferee.
48. The instrument of transfer shall be in the form prescribed by the Act or the Rules made thereunder or where no such form is prescribed in the usual common form or any other form approved by the stock exchange in India or as near thereto as the circumstances will admit.
49. Subject to the provisions of Section 111A, these Articles and other applicable provision of the Act. or any other law for the time being in force, the Board of Directors may refuse whether in pursuance of any power of the company under these Articles or otherwise, to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall, within one month from the date on which the instrument of transfer or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the Transferee and the Transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal, notice of the refusal to register such transfer, provided that registration of a transfer shall not be refused on the ground of the Transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.
50. No transfer shall be made to a minor or a person of unsound mind.
51. Every instrument of transfer shall be left at the office for Registration accompanied by the certificate of the share to be transferred or if no such certificate is in existence, by the Letter of Allotment of the share and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the share. Every instrument of transfer which shall be registered and shall be retained by the Company, but any instrument of transfer which the Board may refuse to register, shall be returned to the person depositing the same.
52. If the Board refuses, whether in pursuance of Article 41 or otherwise, to register the transfer of, or the Transmission by operation of law of the rights to any share, the Company shall, within one months, from the date on which the instrument of transfer or the intimation of such transmission, as the case may be, was lodged with the Company, send the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, notice of the refusal.
53. No fee shall be payable to the company in respect of transfer, or transmission of any shares of the Company , probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or other similar document.
54. The executor or administrator of a deceased member (not being one of several joint-holders shall be the only person recognised by the Company as having any title to the share registered in the name of such member, and in case of the death or any one or more of the joint-holders of any registered share, the survivor shall be the only person recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of deceased joint-holder from any liability on the share held by him jointly with any other person. Before recognizing any executor or administrator the Board may require him to obtain a Grant or Probate or letters of Administration or other legal



representation, as the case may be, from a competent Court in India: Provided, nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to dispense with Letter of administration or such other legal representation upon such terms as to indemnity, as it consider proper.

55. Any Committee or guardian of a lunatic or a minor member or a person becoming entitled to, or to transfer, a shares in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board thinks sufficient, may with the consent of the Board (which the Board shall not be bound to give), be registered as a member in respect of such share, or may, subject to the regulation as to transfer here-in before contained, transfer such share.

This Article is hereinafter referred to as “The Transmission Article”.

- 56.(i) If the person so becoming entitled under the Transmission Article shall elect to be registered holder of share himself he shall deliver or send to the Company at a notice in writing signed by him stating that he so elects.
- (ii) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing an instrument of transfer of the share.
- (iii) All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of instruments of transfer of a share shall be applicable to any such notice or transfer as aforesaid as if the death, lunacy, bankruptcy or insolvency of the member had not occurred and the notice of transfer signed by the Member.
57. A person so becoming entitled under the Transmission Article to a share by reason of the death, lunacy, bankruptcy or insolvency of the holder shall, subject to the provisions of Articles 82 and of Section 206 of the Act, be entitled to if he were the registered holder of the shares.

Provided that the Board may at any time give a notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with, within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirements of the notice have been complied with.

## **INCREASE AND REDUCTION OF CAPITAL**

58. The Company in General Meeting by ordinary resolution may, from time to time, increase its capital by the creation of new shares of such amount as may be deemed expedient.
59. Subject to any special rights or privileges for the time being attached to any shares in the capital of the Company then issued, the new shares on the existing unissued shares of any class may be issued upon such terms and conditions, and with such rights and privileges, attached thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no directions be given, as the Board shall determine, and in particular in the case of preference shares such shares may be issued with a preferential or qualified rights to dividends and in the distribution of the assets of the Company and with rights of redemption.
60. Before the issue of any new shares, the Company in General Meeting may make provisions as to the allotment and issue of the new shares and in particular may determine to whom the same shall be offered in the first instance and whether at par or at premium or, subject to the provisions of Section 79 of the Act, at a discount, and upon default of any such provisions, or so far as the same shall not extend, the new shares may be issued in conformity with the provisions of Article 6.
61. Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of the then existing capital of the Company and shall be subject to the provisions herein contained with reference to the payment of dividends, calls and instalments, transfer and transmission, forfeiture, lien, surrender and otherwise.
62. If, owing to any inequality in the number of new shares and the number of shares held by members entitled to have the offer of such new shares, any difficulty shall arise in the allotment of such new shares or any of them amongst the members, such difficulty shall, in the absence of any direction in the resolution creating the shares or by the Company in General Meeting, be determined by the Board.
63. The Company may, from time to time, by Special Resolution reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner authorised by law and subject to the Provisions of Section 100 to 105 of the Act.

## **ALTERATION OF CAPITAL**

64. The Company in General meeting may from time to time:-
- (a) Consolidate and divide all or any its share capital into Shares of larger amount than its existing shares;
- (b) subdivide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum so that in the subdivision the proportion between the amount paid and the amount, if any,

unpaid the on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

- (c) Cancel any shares which at the date of the passing of the resolution, have not been or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- 65. Subject to the provision of Section 100 and 105 of the Act, the Board may accept from any member of surrender on such terms and conditions as shall be agreed, of all or any of his shares.

## **MODIFICATION OF RIGHTS**

- 66. Whenever the capital (by reason of the issue of Preference shares or otherwise) is divided into different classes of shares, all or any or the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, be modified, commuted, affected, abrogated, verified or dealt with by agreement between the Company and any persons purporting to contract on behalf of that class provided such agreement is (A) consented to in writing by the holders of a least three-fourth of the issue shares of that class or (B) sanctioned by a resolution passed by a separate General Meeting of the holders of shares of that class in accordance with Section 106(1) (b) of the Act and the provisions hereinafter contained as to general Meeting shall mutatis mutandis, apply to every such meeting, except that the quorum there shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of the class. This article is not by implication to curtail the power of modification which the Company would have if this article was omitted. The Company shall comply with the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the Registrar.

## **BORROWING POWERS**

- 67. The Board may, from time to time, at its discretion, subject to the provisions of Sections 58A, 292, 293 and 370 of the Act, raise or borrow ei0074her from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purpose of the Company; provided that the Board shall not, without the sanction of the Company in General Meeting borrow and sum of money which together with 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 twice of the aggregate for the time being of the paid-up capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.
- 68. The Board may raise or secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable, debentures or debenture-stock, or any mortgage, or other tangible security on the undertaking of the whole or any part of the property of the Company (both present and future): but shall not create a charge on its capital for the time being without the sanction of the Company in the General Meeting.
- 69. Any debenture, debenture-stocks, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges, as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise, debentures, debenture-stocks, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
- 70. Save as provided in Section 108 of the Act, no transfer of debentures shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificates of the debentures.
- 71. If the Board refuse to register the transfer of any debentures, the Company shall, within one month from the date on which the instrument of transfer was lodged with the Company, send to thee transferee and to thee transferor notice of the refusal.

## **GENERAL MEETING**

- 72. In addition to any other Meeting, General Meeting of the Company shall be held within such intervals as are specified in Section 166 (1) and 210 (3) of the Act and subject to the provisions of Section 166 (2) of the Act, at such times and places as may be determined by the board. Each such General Meeting shall be called on "Annual general Meeting" and shall be specified as such in the notice convening the Meeting. Any other meeting of the Company shall be called as "Extraordinary General Meeting".
- 73. The Board may whenever it thinks fit call in Extraordinary General Meeting and it shall, on the requisition of the members in accordance with Section 169 of the Act, proceed to call an Extraordinary General Meeting. The requisitionists may in default of the Board convening the same, convene the Extra-ordinary General meeting as provided in Section 169 of the Act.



74. The Company shall comply with provision of Section 188 of the Act, as to giving notice of resolution and circulation statements of the requisition of members
75. Save as provided in sub-section (2) of Section 172 of the Act, not less than twenty-one days' notice shall be given of every General Meeting of the Company Every notice of a meeting shall specify the place and the day and hour of the meeting and shall contain a statement of the business to be transacted thereat and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company. Where and such business consists of "Special business" as hereinafter defined there shall be annexed to the notice a statement complying with Section 173 (2) and (3) of the Act.

Notice of every meeting of the Company shall be given to every member of the Company, to the Auditors of the Company and to person or persons entitled to a share in consequence of the death or insolvency of a member in any manner hereinafter authorised for the giving of notices to such persons. Provided that where the notice of a General Meeting is given by advertising the same in a newspaper circulating in the neighbourhood of the office under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 (2) of the Act need not be annexed to the notice as required by that section but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

The accidental omission to give any such notice to or its non-receipt by any members or other person to whom it should be given shall not invalidate the proceedings of the meeting.

## **PROCEEDINGS AT GENERAL MEETING**

76. The ordinary business of an Annual General Meeting shall be to receive and consider the Profit and loss Account, the Balance Sheet and the reports of the Directors and Auditors, to elect Directors in the place of those retiring by rotation, to appoint Auditors, and fix their remuneration and to declare dividends. All other business transacted at an Annual general Meeting and all business transacted at any other General Meeting shall be deemed special business.
77. No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, five members present in person shall be quorum.
78. If within half-an-hour from the time appointed for the meeting, a quorum be not present, the meeting, if convened by such requisition as aforesaid, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and at such time and place as the board may be notice appoint and if at such adjourned meeting a quorum be not present within half-an-hour from the time appointed for holding the meeting those members, who are present and not being less than two shall be a quorum and may transact the business for which the meeting was called.
79. Any act or resolution which, under the provisions of these Article or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently so done or passed if effected by an Ordinary resolution as defined in Section 189 (1) of the Act unless either the Act or these Articles specifically require such act to be done or resolution passed by a Special Resolution as defined in Section 189 (2) of the Act.
80. The Chairman of the Board shall be entitled to take the Chair at every General Meeting. If there be such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting, or is unwilling to act, the members present shall choose another Director as Chairman, and if no Director be present, or if all the Directors present decline to take the Chair, then the members present shall, on a show of hands or on a poll if properly demanded, elect one to their members being a member entitled to vote, to be the Chairman.
81. Every question submitted to a meeting shall be decided, in the first instance by a show of hands, and in the case of an equality of votes, both on a show of hand and on a poll the Chairman of the meeting shall have a casting vote in addition to the vote to which he may be entitled to as a member.
82. At any General Meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded either by the chairman of his own motion, or by at least five members having the right to vote on the resolution in question and present in person or by proxy and having not less than one-tenth of the total power in respect of such resolution, or by any members present in person or by proxy and holding shares in the Company conferring a right to vote on such resolution, being shares on which an aggregate sum has been paid-up which is not less than one-tenth of the total sum paid up on all the shares conferring, that right, a declaration by the Chairman that the resolution has or has not been carried, either unanimously, or by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number of promotion of the votes cast in favour of , or against the resolution.

83.

- (i) If a poll be demanded as aforesaid it shall be taken forthwith on a question of adjournment or election of a Chairman and in any other case in such manner and such time, not being later than forty-eight hours from the time, when the demand was made, and at such place as the Chairman of the meeting directs, and subjects as aforesaid, either at once or after an interval or adjournment or otherwise, and the results of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was demanded.
- (ii) The demand of a poll may be withdrawn at any time.
- (iii) Where a poll is taken or is to be taken, the Chairman of the meeting shall appoint two scrutinizers, at least one of whom shall be a member (not at least one of whom being an Officer or employee of the Company) present at the meeting provided such a member is available and willing to be appointed to scrutinize the votes given on the poll and to report to him thereon.
- (iv) On a poll a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.
- (v) The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

84.

- (i) The Chairman of a General Meeting may adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting of which the adjournment took place.
- (ii) When a meeting is adjourned it shall not be necessary to give any notice of an adjournment of or the business to be transacted at an adjourned meeting.

85.

- (i) Save as hereinafter provided, on a show of hands, every member present in person and being a holder of Equity shares shall have one vote and every person present either as a General Proxy (as defined in Article 84) on behalf of a holder of Equity shares. If he is not entitled to vote in his own right or as a duly authorised representative of a body corporate, being a holder of Equity shares, shall have one vote.
- (ii) Save as is hereinafter provided, on a poll, the voting right of a holder of Equity Shares shall be as specified in Section 87 of the Act.
- (iii) The holder of Preference Shares shall have a right to vote on a resolution placed before the Company which directly effects the rights attached to their preference shares and subject as aforesaid, the holder of preference shares shall in respect of such capital be entitled to vote on every resolution placed before the Company at a meeting if the dividend due on such capital or any part of such dividend remains unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting and where the holders of any preference share have a right to vote as aforesaid on any resolution, every such member personally present shall have one vote and on a poll his voting right in respect of such preference shares to the total of the capital paid up on the Equity shares.

Provided that nobody corporate shall vote by proxy so long as resolution of its Board of Directors under the provisions of Section 187 of the Act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered.

- 86. (i) Where a body corporate (hereinafter called "Member Company") is a member of the Company, a person, duly appointed by resolution in accordance with the provisions of Section 187 of the Act of represent such Member Company at a meeting of the Company, Shall not by reason of such appointment, be deemed to be a proxy, and the lodging with the Company at the office or production at the meeting of copy of such resolution duly signed by one Director or such Member Company and certified by him as being a true comply of the resolution shall, on production at the meeting, be accepted by the Company as sufficient evidence of the validity of his appointment. Such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy on behalf of the member Company which the represents, as that Member Company could exercise if it were and Individual member.

- (ii) Where the President of India or the Governor of a State is a member of the Company then his representation at meeting shall be in accordance with Section 187-A of the Act.

87. Any person entitle under the Transmission Article to transfer any shares may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty eight hours at least 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 Board of his right to transfer such shares, unless the Board shall have previously admitted his right to vote at such meeting in respect thereof. If any member be a lunatic, idiot, or non-compos mentis, he may vote whether on a show of hand or at a poll by his Committee, curator bonis or other legal curator and such last mentioned persons may give their votes by proxy.

88. Where there are joint registered holders of any shares, any one of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled; thereto: and if more than one of such joint-holders be present at any meeting either personally or by proxy then one of the said

persons so present whose name stands first on the Register in respects of such share alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any shares is registered shall for the purposes of this Article be deemed joint-holders thereof.

89. Votes may be given either personally, or in the case of a body corporate, by a representative duly authorised as aforesaid, or by proxy.
90. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his Attorney duly authorised in writing or if such appointer is a body corporate under its common seal or the hand of its Officer or Attorney duly authorised. A proxy who is appointed for a special meeting shall be called a Special Proxy. Any other proxy shall be called a General Proxy.
91. The instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of authority shall be deposited at the Office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument purports to vote in respect thereof and in default the instrument of proxy shall not be treated as valid.
92. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by the Company at the Office before the vote is given. Provided nevertheless, that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion thinks fit of the due execution of an instrument of proxy and that the same has not been revoked.
93. Every instrument appointing a special proxy shall be retained by the Company and shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act or as near thereto as possible or in any other form which the Board may accept.
94. No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company 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, but the Board of Directors may, by a resolution passed at the meeting of the Boards, waive the operation of this Article.
95. (i) Any objection as to the admission or rejection of a vote either on a show of hands or on a poll made in due time, shall be referred to the Chairman, who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive.  
(ii) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or rendered and every vote not disallowed at such meeting shall be valid for all purposes.

## **DIRECTORS**

96. The number of Directors of the Company shall not be less than three and not more than eleven.
97. The Company in General Meeting may from time to time increase or reduce the number of Directors within the limits fixed by Article 88.
98. The Provisions of Section 255 of the Act shall apply to the appointment and retirement of directors.
99. The following persons are the first Directors of the Company:-
  1. MR. ASHWANI KUMAR PURI
  2. MR. VINOD KUMAR DHAWAN
  3. MR. JOGINDER PAL KUNDRA
100. (a) The Board may authorise by resolution or by agreement the State Financial Corporation (S.F.C.), State Industrial Development Corporation (S.I.D.C.) Life Insurance Corporation of India (L.I.C.), Industrial Finance Corporation (I.F.C.) the Industrial Credit and Investment Corporation of India Limited (I.C.I.C.I.), Industrial Development Bank of India (I.D.B.I.) Unit Trust of India (U.T.I.) and/or any other Financial Institution, Corporations, or any bank(s) which continue(s) to be a member of company by virtue of being holder of any share or shares in the Company or to any of the aforesaid Financial Institutions, Corporations, or banks to whom any money remains due by the Company under or by virtue of any agreement executed between the Company and S.F.C., LIC., I.F.C., S.I.D.C., I.C.I.C.I., I.D.B.I., U.T.I., to nominate a Director to the Board from time to time and to remove from such office any person so appointed, and upon removal of any such person to appoint any other person(s) in his place.  
(b) A Director so appointed shall not be required to hold any qualification shares nor shall (subject to provisions of Section 255 of the Act) be liable to retirement by rotation or be subject to removal under Article 108 hereof.  
(c) A Director appointed under this Article shall be ex-officio Director within the meaning of these Articles.

101. The Board shall have power, at any time and from time to time, to appoint any person as additional Director as an addition to the Board but so that the total number of Directors should not exceed the limit fixed by these Articles. Any Director so, appointed shall hold office only until the next Annual General Meeting of the Company and then shall be eligible for re-election.
102. A Director shall not be required to hold any qualification shares in the Company.
103. Subject to the provisions of companies Act, 1956 and rules framed therein Director shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or a Committee of the Board, a fee not exceeding Rs. 1,000/- (Rupees One thousand) per meeting of the Board or a Committee of the Board, attended by him as may from time to time be determined by the Board. All other remuneration, if any payable by the Company to each Director, whether in respect of his services as a Managing Director or a Director in the whole or part-time employment of the Company or otherwise shall be determined in accordance with and subject to the provisions of these Articles and of the Act. The Directors shall be entitled to be paid their reasonable travelling and hotel and other expenses incurred in consequence of their attending the board and Committee meetings or otherwise incurred in the execution of their duties as Directors. The Company in General Meeting may sanction a remuneration upto 3% of the net profit of the company to all or any of the Directors.
104. If any Director, being willing, shall be called upon to perform extra services or to make any special exertion for any of the purposes of the company or as a member of a Committee of the Board then, Subject to Sections 198, 309, 310 and 314 of the Act, the Board may remunerate the Directors so doing either by a fixed sum or by a percentage of otherwise and such remuneration may be either in addition to or in substitution for and other remuneration to which he may be entitled.
105. The continuing Directors may act, notwithstanding any vacancy in their body; but so that if the number falls below the minimum above fixed, the Directors shall not, except in emergencies or for the purposes of filling vacancies or for summoning a General Meeting, act so long as the number is below the minimum.
106. The Office of the Director shall ipso facto become vacant if at any time be committed any of the Acts set out in section 283 of the Act.
107. No Director or other person referred to in Section 314 of the Act shall hold an office or place of profit, save as permitted by that Section.
108. A Director of this Company may be or become a Director or any other company promoted by this Company or in which it may be interested as a vendor, shareholder or otherwise and no such director shall be accountable for any benefits received as a Director or member of such Company.
109. Subject to the provisions of Section 297 of the Act neither shall a Director be disqualified from contracting with the Company whether as vendor, purchaser or otherwise for goods, materials or services or for underwriting the subscription of any shares in or debenture of the Company nor shall any such Director, or a firm in which such Director or relative is partner or with any other partner in such firm or with a private company of which such Director is a member or Director, be void nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding office or of the fiduciary relation thereby established.
110. Every Director who is in any way, whether directly or indirectly, concerned or interested in contract or arrangement entered into, or to be entered into by or on behalf of the Company not being a contract or arrangement entered into or to be entered into between the Company and any other Company, where any of the Director of the Company or two or more of them together holds or hold not more than two per cent of the paid up share capital in the other company shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act. A general notice, renewable in the last month of each financial year of the Company, that a Director is a Director or a member of any specified body corporate or is a member of any specified firm and is to be regarded as concerned or interested in any subsequent contract or arrangement which that body corporate or firm, interested in any subsequent contract or arrangement which that body corporate or firm, shall be sufficient disclosure of concern or interest in relation to any contract or arrangement so made and, after such general notice, shall be sufficient disclosure of concern or interest in relation to any contract or arrangement so made and, after, such general notice, its shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or firm provided such general notice is given at a meeting of the Board or the Director concerned, takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given. Every Director shall be bound to give and from time to time renew a general notice as aforesaid in respect of all bodies corporate of which he is a Director or member and of all firms of which he is a member.
111. No Director shall, as Director, take any part in the discussion of, or vote on any contract or arrangement in which he is in any way, whether directly or indirectly concerned or interested, nor shall his presence count

for the purpose of forming a quorum at the time of such discussion or vote. This prohibition shall not apply to:

- (a) Any contract of indemnity against any loss which the Director's or any of them may suffer by reason of becoming or being sureties or surety for the company; or
- (b) Any contract or arrangement entered into or to be entered into by the Company with a public company or with a private company, which is a subsidiary of a public, company, in which the interest of the Director consists solely in his being a Director of such Company and the holder of shares not exceeding the amount requisite to qualify him for appointment as a director thereof, he having been nominated as such Director by the Company or in his being a member of the Company holding not more than two per cent of the paid up share capital of the Company.

## **ROTATION OF DIRECTORS**

- 112. At each Annual General Meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation, if their number is not three or multiple of three, then the number nearest to one-third shall retire from office. Neither an ex-officio Director nor an additional Director appointed by the Board under Article 93 hereof shall be liable to retire by rotation within the meaning of this Article.
- 113. (a) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day those to retire shall, in default of and subject to any agreement among themselves, be determined by lot.
- (b) Save as permitted by Section 263 of the Act, every resolution of a General Meeting for the appointment of a Director shall relate to one named individually.
- 114. The Company may remove any Director before the expiration of his period of office in accordance with the provisions of Section 284 of the Act and may subject to the provisions of Section 262 of the Act appoint another person in his stead if the Director so removed was appointed by the Company in General Meeting or by the Board under Article 107.
- 115. If any Director appointed by the Company in General Meeting vacates office as a Director before his term of office will expire in the normal course, the resulting casual vacancy may be filled up by the Board at a meeting of the Board but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under Article 106.
- 116. The eligibility and appointment of a person other than a retiring Director to the office of the Director shall be governed by the provisions of Section 257 of the Act.

## **ALTERNATE DIRECTORS**

- 117. The Board may in accordance with and subject to the provisions of Section 313 of the Act, appoint any person to act as alternate Director for a Director during the latter's absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.

## **PROCEEDINGS OF DIRECTORS**

- 118. The Board of Directors may meet for the despatch of business, adjourn and otherwise regulate its meetings, as it thinks fit, provided that a meeting of the Board of Directors shall be held at least once in every three calendar months.
- 119. A Director may, at one time and the Manager or Secretary shall, upon the request of a Director made at any time, convene a meeting of the Board.
- 120. The Board shall appoint a Chairman of its Meeting and determine the period for which he is to hold office. If no such Chairman is appointed or if at any meeting of the Board, the Chairman be not present within five minutes after the time appointed for holding the same, Directors present shall choose one of their members to be Chairman of such meeting.
- 121. The quorum for a meeting of the Board shall be determined from time to time in accordance with the provisions of Section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Board, it shall be adjourned until such date and time as the Chairman of the Board shall appoint.
- 122. A meeting of the Board at which a quorum be present shall be competent exercise all or any of the authorities, power and discretions by or under the Articles or the Act for the time being vested in or exercisable by the Board.



123. Subject to the provisions of Sections 316, 372 (5) and 386 of the Act, questions arising at any meeting shall be decided by a majority of vote, and in case of any equality of votes, the Chairman shall have a second or casting vote.
124. The Board may, subject to the provisions of the Act, from time to time and at any time, delegate any of its Powers to the Committee consisting of such Director or Directors as it thinks fit, and may, from time to time, revoke such delegation. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the board.
125. The meetings and proceedings of any such Committee consisting of two or more members shall be governed by the provisions herein contained from regulating the meeting and proceeding superseded by the regulations made by the Board under the last preceding Article.
126. Act done by a person as a Director shall be valid, notwithstanding that it may afterwards be discovered that his appointment was invalid by reasons of any defect or disqualification or had been terminated by virtue of any provision contained in the Act or in these Articles. Provided that nothing in this appointment has been shown to the Company to be invalid or to have been terminated.
127. Save in those cases where a resolution, required by Section, 262, 292, 297, 316, 372(5) and 386 of the Act, to be passed at a meeting of the Board, a resolution shall be as valid and effectual as if he had been passed at a meeting of the Board, or Committee of the Board, as the case may be, duly called and constituted, if a draft thereof in writing is circulated, together with the necessary papers, if any, to all the Directors or to all the members of the Committee of the Board, as the case may be, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors or members of the Committee, at then in India or by a majority of such of them as are entitled to vote on the resolution.

## **MINUTES**

- 128.(a) The Board shall in accordance with the provisions of Section 193 of the Act, cause minutes to be kept of every General Meeting of the Company and of every meeting of the Board or of every Committee of the Board.
- (b) Any such Minutes of any meeting of the Board or of any Committee of the Board or of the Company in General meeting if Kept in accordance with the provisions of Section 193 of the Act, shall be evidence of the matters stated in such minutes. The minute book at General meetings of the Company shall be kept at the office and shall be open to inspection by members during the hours of 10.00 A.M. and 4.00 P.M. on such business days as the Act requires them to open for inspection.

## **POWERS OF THE BOARD**

129. Subject to the provision of the Act, the control of the company shall be vested in the Board, who shall be entitled to exercise all such power, and to do all such Acts and things as the Company is authorised to exercise and to do. Provided that the Board shall not exercise any power or do any Act or thing which is directed or required, whether by the Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise, to be exercised or done by the Company in General Meeting. Provided further that in exercising any such power or doing any such Act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or any other regulations not inconsistent therewith and duly made thereunder, including regulation made by the Company in General Meeting, but no regulation made by the Company in General Meeting, shall invalidate any prior Act of the board which would have been valid if that regulation had not been made.
130. Subject to the provisions of Act, the Board may from time to time, as it may think fit, delegate all or any or the powers hereby conferred upon the Board other than the power to make calls on members in respect of money unpaid on their shares and issue debentures.
131. Subject to the provisions of Section 269, 316 and 317 of the Act, the Board may from time to time, appoint one or more Directors to be Managing Director or Managing Directors of the Company; for a fixed term, as to the period for which he is to hold such office, and may, from time to time (subject to the provision of any contract between him and the Company) remove or dismiss from office and appoint another in his place.
132. Subject to the provisions of Section 255 of the Act, a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation, but subject to the provision of any contract between him and the Company he shall be subject to the same provision as to resignation and removal as the other Directors. He shall, ipso facto and immediately, cease to be Managing Director if he ceases to hold the office of Director from any cause, save that if he retires by rotation under the provisions of Section 255 of the Act at an Annual general Meeting and is reappointed as a Director at the same Meeting, he shall not, by reason only of such retirement, cease to be a Managing Director. If at any time the total number of

Managing Director is more than one-third of the total number of Director, the Managing Director who shall not retire shall be determined by and in accordance with their respective seniorities.

133. Subject to the provisions of Section 309, 310 and 311 of the Act, a Managing Director shall, in addition to the remuneration payable to him as a Director of the Company under these Articles, receive such additional remuneration as may from time to time be sanctioned by the Company General meeting.
134. Subject to the provisions of the Act and in particular to the prohibitions and restrictions contained in Section 292 thereof, the Board may, from time to time, entrust to and confer upon a Managing Director for the time being, such of the powers exercisable under these presents by the Board, as it may think fit, and may confer such Power for such time and to be exercised for such object and purposes, and upon such terms and conditions, and such restrictions think fit and the Board may confer such power, either collaterally with or to the exclusion of, and in substitution for all or any of the powers of the board in that behalf; any may, from time to time, revoke withdraw, alter or vary all or any such powers.

## MANAGEMENT

135. The Board of Directors may in accordance with the provisions of Section 269, 309 and 310 of the Act appoint a whole-time Chairman, or Managing Director or whole-time Director or President or Executive Director or Manager to manage its affairs. A Director may be appointed as a secretary or Manager or Executive Director, but an Executive Director, Secretary or Manager need not be a Director of the Company. The terms and conditions and the appointment of paid Directors shall be subject to the provisions of the Companies Act, 1956 and to the consent of the General Meeting of the Company, where ever required.
136. Subject to the provisions of the Act the following regulations shall have effect:-
- (i) The Board may, from time to time, provide for the management of the affairs of the Company outside India (or in any specified locality in India) in such manner as it shall think fit and the provisions contained in the four next following paragraphs shall be applicable without prejudice to the general powers conferred his paragraph.
  - (ii) The Board may from time to time and at any time, establish any local directorates or Agencies for managing any of the office of the Company outside India, or in any unspecified locality in India, any may appoint any person to be members of any such local Directorate or Managers or Agents and may fix their remuneration and; save as provided in Section 292 of the Act, the Board from time to time and at any time may delegate to any person so appointed, any of the powers, authorities and discretions for the time being of any such local Directorate 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 conditions as the Board may think fit and the Board may at any time remove any person so appointed and may annul or vary and such delegations.
  - (iii) The Board may, at any time and from time to time, by Power-of-Attorney under Seal, appoint any person to be the Attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those which may be delegated by the Board under the Act) and for such period and subject to such conditions as the Board may, from time to time, think fit; and any such appointments, may, if the Board thinks fit, be made in favour of the members or any of the members of any local Directorate established as aforesaid, or in favour of the Company or of the members, directors, nominees, or officers of and Company or firm, or in favour of any fluctuating body of person whether nominated directly or indirectly by the Board; and any such Power-of-Attorney may contain such provisions for the protection or convenience of persons dealing with such Attorneys as the Board thinks fit.
  - (iv) Any such delegate or Attorney as aforesaid may be authorized by the Board to sub-delegate all or any of the powers, authorises and discretions for the time being, vested in him.
  - (v) The Company may exercise the power conferred by Section 50 of the Act with regard to having on Official Seal for use aboard, and such powers shall be vested in the Board, and the Company may cause the official seal to kept in any state of country outside India, as may be permitted by the Act, Foreign register of Members of Debenture holders residents in any such state or country and the Board may, from time to time, make such regulations not being inconsistent with the provision of Section 157 and 158 of the Act, and the Board may, from time to time to make such provisions as it may think fit relating thereto and may comply with the requirements of any local law and shall in any case comply with the provisions of Sections 157 and 158 of the Act.

## SECRETARY



137. Subject to the provisions of Companies Act, 1956 the Chairman with the approval of the Board, may appoints a Secretary and determine the period for which he is to hold office and may fix his remuneration and determine his powers and duties.

## **AUTHENTICATION OF DOCUMENTS**

138. Any Director or the Secretary or any officer appointed by the Board for the purpose shall have power to authenticate any document affecting the constitution of the Company and any books, records documents and accounts relations to business of the Company and to certify copies thereof or extracts therefrom as true copies or extracts: and where any books, records documents or accounts are elsewhere than at the office, the local manager or other officer of the Company, having the custody thereof, shall be deemed to be a person appointed by the Board as aforesaid.
139. A document purporting to be a copy of a resolution of the Board, or an extract from the minutes of a meeting of the Board which is certified as such in accordance with the provisions of the preceding Article shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors.

## **THE SEAL**

140. The Board shall provide for the safe custody of the Seal and the Seal shall never be used except by the authority previously given of the Board or a committee of the board authorised by the Board in that behalf and, save as provided in Article 16(1) hereof, any two directors or one Director and the Secretary or one Director and such other person as the board may appoint shall sign every instrument in which the Seal is affixed. Provided, nevertheless; that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any regularity touching the authority of the Board to issue the same.

## **ANNUAL RETURNS**

141. The Company shall comply with the provisions of Section 159 and 161 of the Act as to the making of Annual Returns.

## **RESERVES**

142. The Board may, from time to time before recommending any dividend, set apart and such portion of the profits of the Company as it thinks fit as Reserves to meet contingencies or for the liquidation of any debentures, debts or other liabilities of the Company, for equalisation of dividends, for repairing, improving or maintaining any of the property of the Company and such other purpose of the Company as the Board in its, absolute discretion thinks conducive to the interest of the Company and may, subject to the provisions of Section 372 of the Act, invest the several sums so set aside upon such investments (other than shares of the Company) as it may think fit, and from time to time deal with the vary such investments and dispose of all or any part thereof for the benefit of the Company, and may divide the Reserve into such special funds as the Board thinks fit, with full power to employ the Reserve or any parts thereof in the business of the Company, and that without being bound to keep the same separate from other assets.
143. All money carried to the Reserve shall nevertheless remain and the profits of the Company applicable, subject to due provision being made for actual loss or depreciation for the payment of dividends and such moneys and all the other moneys of the Company not immediately required for the purpose of the Company may, subject to the provision of Section 370 and 372 of the Act, be invested by the Board in or upon such investments or securities as it may select or may be used as working capital or may be kept at any Bank on deposit or otherwise as the Board may, from time to time thinks proper.

## **CAPITALISATION OF RESERVE**

144. Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserves or any Capital redemption Reserve Accounts or in the hands of the Company and available for dividend or representing premiums received on the issue of share and standing to the credit of the Shares Premium Account be entitled and distributed amongst such of the share holders as would be entitled to receive the same, if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all

or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full, unissued shares, of the Company which shall be distributed accordingly in or towards payment of the uncalled liability or any issued shares and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum. Provided that any sum standing to the credit of a share Premium Accounts or Capital Redemption Reserve Account may, for the purpose of this Article only, be applied in the paying of unissued share to be issued to members of Company as fully paid bonus shares.

145. A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company or any investment representing the same or any other undistributed profits of the Company not subject to charge for income tax, be distributed among the members on the footing that they receive the same as capital.
146. For the purpose of giving effect to any resolution under the two preceding Articles and Article 141 hereof, the Board may settle any difficulty which may arise in regard to the distribution as they expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised funds as may seem expedients to the Board. Where requisite, a proper contract shall be filed in accordance with section 75 of the Act and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund and such appointment shall be effective.

## **DIVIDENDS**

147. The Company in Annual General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profit and may, subject to the provisions of Section 207 of the Act fix the time for payment. No larger dividend shall be declared than is recommended by the Board, but the Company in General Meeting may declare a smaller dividend.
148. No dividend shall be paid otherwise than out of the profits of the year of any other undistributed profits except as provided by section 205 of the Act.
149. Subject to the special rights of holders of preference shares, if any, for the time being, the profits of the Company distributed as dividends or bonus shall be distributed among the members in proportion to the amounts paid or credited as paid on the shares held by them respectively, but no amount paid on a share in advance of call shall, while carrying interest, be treated for the purpose of this Article as paid on the share or confer a right of dividend or voting right or right to participate in profits. All dividends shall be apportioned and paid pro rata according 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, unless the terms of issue provide otherwise. There shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.
150. The declaration of the net profits in the audited annual accounts of the Company shall be conclusive.
151. The Board may from time to time, pay to the members such interim dividends as in its judgement the position of the Company justifies.
152. The Board may retain any dividends on which the Company has lien and may apply the same in towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
153. Subject to the provisions of Articles 17, and General Meeting declaring a dividends may make a call on the members of such amounts as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, so that the call be made payable at the same time as the dividend may be set off against the call.
154. No dividend shall be payable except in cash, provided that nothing in the foregoing shall be deemed to prohibit the capitalisation of profits or reserves of the Company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on the shares held by the members of the Company.
155. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the Transfer.
156. The Directors may retain the dividends payable upon shares in respect of which any person is under transmission Article entitled to become a member or which any person under that Article is entitled to transfer, until such person becomes a member in respect of such shares or shall duly transfer the same.
157. The Directors may pay interest on capital raised for the construction of works or building when and so far as they shall be authorised to do so by Section 208 of the Act.
158. No dividend shall be paid in respect of any share except to the registered holder of the share or to his order or to his bankers, but nothing contained in the Article shall be deemed to require a registered shareholder to make a separate application to the Company for the payment of the dividend.

159. Any one of several persons who are registered as the joint shareholders of any share may give effectual receipts for all dividends, bonuses and other payments in respect of such share.
160. Notice of any dividend, whether interim or otherwise, shall be given to the persons entitled to share therein the manner hereinafter provided.
161. All dividends and other duties to members shall be deemed to be payable at the Registered Office of the Company, unless otherwise directed. Any dividend, interest or other moneys payable in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the holder or in the case of joint-holders to the registered address of that one of the joint-holders who is first named in the Register in respect of the joint-holding or to such person and at such address as the holder or joint-holding or to such person and at such address as the holder or joint-holders, as the case may be, may direct and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.
162. No unpaid and unclaimed dividend shall be forfeited and Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called 'Unpaid Dividend of IFCI factors Limited' and transfer to the said account, the total, amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted. Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established under section 205C of the Act of the Central Government. A Claim to any money so transferred to the Investor Education and Protection Fund established under section 205C of the Act may be preferred to the Central Government by the shareholders to whom the money is due. That there shall be no forfeiture of unclaimed dividends before the claim becomes barred by law and the Company shall comply with all the provisions of Section 205-A of the Act in respect of unpaid or unclaimed dividend.

## **BOOKS AND DOCUMENTS**

163. The Board shall cause proper books of account to be kept in accordance with Section 309 of the Act.
164. The Books of account shall be kept at the Registered Office or at such other place in India as the board may decide and when the Board so decides, the Company shall within seven days of the decision, the file with the Registrar a notice in writing giving the full address of that other place.
165. (a) The Books of Account shall be open to inspection by any Director during business hours.  
(b) The Board shall, from time to time, determine whether and to what extent, and at what times and places, and under what conditions or regulations, the Books of Account and books and documents of the Company, other than those referred to in Articles 120(a) and 170 or any of them, shall be open to the inspection of the members not being Directors and no member not being a Director, shall have any rights of inspection any books of account or books or documents of the Company except as conferred by law or authorised by the Board or by the Company in General Meeting.

## **ACCOUNTS**

166. At every Annual General Meeting the Board shall lay before the Company a Balance Sheet and Profit and Loss Account made up in accordance with the provisions of Section 210 of the Act and such Balance Sheet and Profit and Loss Account shall comply with the requirements of Sections 210, 211, 212, 215 and 216 and of Schedule VI to the Act, so far as they are applicable to the Company but, save as aforesaid, the Board shall not be found to disclose greater details of the result or extent or the trading and transactions of the Company than it may deem expedient.
167. There shall be attached to every Balance Sheet laid before the Company report by the Board complying with Section 217 of the Act.
168. A copy of every Balance Sheet (including the Profit and loss Account, the Auditors Report and every document required by law to be annexed or attached to the Balance Sheet) shall, as provided by Section 219 of the Act, not less than twenty-one days before the meeting, be sent to every such member, debenture-holder, trustee and other person to whom the same is required to be sent by the said section.
169. The Company shall comply with Section 220 of the Act as to filing copies of the Balance Sheet and Profit and Loss Account and documents required to be annexed or attached thereto, with the Registrar.

## **AUDITORS**

170. Once at least in every year the books of account of the Company shall be audited by one or more Auditor or Auditors.
171. The appointment, powers, rights, remuneration and duties of Auditors shall be regulated by Sections 224 to 231 of the Act.

## **SERVICE OF NOTICE AND DOCUMENTS**

172. A notice or other documents may be given by the Company to its members in accordance with Sections 53 and 172 of the Act.
173. Every person, who by operation of law or transfer or other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which, previous to his name and address being entered on the Register, has been duly given to the person from whom he derives his title to such share.
174. Subject to the provisions of Article 164, any notice or document delivered or sent by post to or left at the Registered Address of any member in pursuance of these Articles shall, notwithstanding such member, be than deceased and whether or not the Company have notice of his demise be deemed to have been duly served in respect of any registered share, whether held solely or jointly with other persons by such member until some other person be registered in his stead as the holder or joint-holders thereof and such service shall for all purposes of these presents be deemed a sufficient service of such notice or document on his heirs, executors or administrators and all persons, if any jointly interested with him in any such share.
175. Subject to the provisions of Section 497 of the Act, in the event of a winding-up of the Company, every member of the Company who is not for the time being in the place where the office of the Company is situated, shall be bound, within eight weeks after the passing of an effective resolution to wind up the Company voluntarily or the making of an order for the winding up of the Company, to serve notice in writing to the Company appointing some persons residing in the neighbourhood of the office to whom all summons, notices, processes, orders and judgements in relation to, or under the winding up of the Company may be served, and in default to such nomination the Liquidator of the Company shall be at liberty, on behalf of such member, to appoint some such person and service upon him any such, summon, notice, process, order and judgement and such appointment by the Liquidator shall be deemed to be service on such member for all purposes and where the Liquidator makes any such appointment he shall, with all convenient speed, given notice thereof to such member by advertisement in some daily newspaper circulation in the neighbourhood of the office or by a registered letter sent by post and addressed to such member at his address as registered in the Register and such notice shall be deemed to be served on the day on which advertisement appears or the letter would be delivered in the ordinary course of the post. The provisions of this Article does not prejudice the right of the Liquidator or the Company to serve any notice or other document in any other manner prescribed by these Articles.

## **KEEPING OR REGISTERS AND INSPECTION**

176. The Company shall duly keep and maintain in the Office, Registers in accordance with Sections 49, 58A, 143, 150, 151, 152(2), 301, 303, 307, 356, 357, 358, 359, 360, 370 and 372 of the Act and Rule 7(2) of the Companies (Issue of Share Certificates) rules 1960.
177. The Company shall comply with provisions of Section 39, 118, 163, 192, 196, 219, 301, 302, 304, 307, 362, 370 and 372 of the Act as to supplying of copies of the registers, deeds, documents, instruments, returns, certificates and books herein mentioned to the persons therein specified when so required by such persons on payment of and on such charges, if any, prescribed by the said Sections.
178. Where under any provision of the Act, any person whether a member of the Company or not, is entitled to inspect any register, return, certificate, deed instrument or document required to be kept or maintained by the Company, the person so entitled to inspection shall be permitted to inspect the same during the hours of 10 A.M. and 4 P.M. on such days as the Act requires them to be open for inspection.
179. The Company may, after giving not less than seven days previous notice by advertisement in some newspapers circulating in the district in which the Registered office is situated, close the Register of Members of the Register of Debenture holders as the case may be, for any period or periods not exceeding in the aggregate forty-five days in each year but not exceeding thirty days at any one time.

## **RECONSTRUCTION**

180. On any sale of the undertaking of the Company, the Board or the Liquidators on a winding-up may, if authorised by a Special Resolution, accept fully paid or partly paid up shares, debentures or securities of any other Company whether incorporated in India or not, either than existing or to be formed for the

purchase in whole or in part of the Companies property and the Board (If the profits of the Company permit) or the Liquidators (in winding-up) may distribute such shares or securities, or any other property of the Company amongst the members without realisation or vest the same in trustees for them any Special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property, otherwise than in accordance with the strict legal rights of the members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares shall be bound by any valuation or distribution so authorised and waive all rights in relation thereto, save only in case the Company is proposed to be or in the course of being wound up such statutory rights (if any) under Section 494 of the Act as are incapable of being varied or excluded by these Article.

## **WINDING-UP**

- 181.If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed, so that as nearly as may be, losses shall be born by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding-up on the shares held by them, respectively. And if in a winding-up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid on at the commencement of the winding-up, the excess shall be distributed amongst the members in proportion to the capital, at the commencement of the winding-up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions Preference shareholders shall prior rights to repayment of capitals and dividends due.
- 182.If the Company shall be bound up, whether voluntarily or otherwise, the Liquidators may, with the sanction of the Special Resolution, divide among the contributories, in specie or in kind, any part of the assets of the Company and may, with the like sanction, vast any part of the assets of the Company in trustees upon such trusts for the benefits of the contributories, or any of them, as the liquidators, with the like sanction, shall think fit, Provided, however that so long as moneys remains due by the Company as is mentioned in Article 92 none of the powers and rights conferred by this article shall be exercised, save with the previous consent in writing of the Corporation.

## **INDEMNITY**

- 183.Subject to the provisions of Section 201 of the Act, every Director, Manager, Secretary or Officer of the Company or any person (whether an Office of the Company or not) employed or engaged by the Company or Auditors shall be indemnified out of the funds of the Company against all the liability incurred by him as such Director, Manager, Secretary, Officer, Employee or Auditor in defending any proceeding, whether civil or criminal in which judgement is given in his favour, or in which he is acquired or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

## **INDIVIDUAL RESPONSIBILITY**

- 184.Subject to the provisions of the Act, no director, auditor or other officer of the Company shall be liable for the act, receipts, neglects or defaults of any other director or for joining in any receipt or other act for conformity or for any loss or expenses happening to the company through the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damages arising from the bankruptcy, insolvency or tortious act of any person firm or company to or with whom any moneys , securities or effects shall be entrusted or deposited or for any loss occasioned by and error or judgement, commission, default or oversight in his part of for any other loss, damage of misfortune whatever which shall happen in relation to the execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.

## **SECRECY**

- 185.No member shall be entitled to visit or inspect any works of the company without the permission of the directors or to acquire discovery of or any information respecting any detail of the Company's trading or any other matter which may relate to the conduct of the business of the Company and which in the opinion of the directors it would be inexpedient in the interests of the Company to disclose.

186. Every Director, Manager, Secretary, trustee of the Company, its members or debenture-holders, members of a Committee, officer, servant, agent, accountant of other person employed in or about the business of the Company shall, if so required by the Board or by a Managing Director before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in discharge of his duties except when required so to do by the Board or by any meeting or by a Court of law and except so far as may be necessary in order to comply with any of the provisions in these Articles Contained.
187. No shareholder or other person (not being a Director) shall be entitled to enter upon the property of the Company or to inspect or examine the premises or properties of the Company without the permission of the Board or subject to Article 157, to require discovery of or any information respecting any detail of the trading of the Company or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which is the opinion of the Board it will be inexpedient in the interest of the Company to communicate.



## SECTION IX – OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at our Office from 10.00 am to 4.00 p.m. on Working Days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

#### *Material Contracts to the Issue*

1. Issue Agreement dated July 27, 2011 between our Company and the BRLM.
2. Agreement dated July 21, 2011 executed between our Company and the Registrar to the Issue.
3. Escrow Agreement dated [●] among our Company, the BRLM, the Escrow Collection Banks and the Registrar to the Issue.
4. Syndicate Agreement dated [●] between our Company and the members of the Syndicate.
5. Underwriting Agreement dated [●] among our Company, the Underwriters and the Registrar to the Issue.

#### *Material Documents*

1. Our Memorandum and Articles of Association, as amended until date.
2. Our certificate of incorporation dated December 14, 1995 and fresh certificate of incorporation dated January 7, 2009.
3. Board resolution and shareholders' resolution of our Company, dated June 28, 2011 and July 12, 2011, respectively, authorising the Issue and other related matters.
4. Reports of the Auditors dated July 12, 2011 prepared as per Indian GAAP and mentioned in the "*Financial Statements*" on page 102.
5. Copies of annual reports of our Company for the last five fiscal years.
6. The statement of tax benefit report dated July 12, 2011 prepared by the Auditors as mentioned in "*Statement of Tax Benefits*" on page 36.
7. Consent of the Auditors for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
8. Consents of Bankers to our Company, BRLM, Syndicate Member(s), Registrar to the Issue, Bankers to the Issue, legal counsels, Directors of our Company, Company Secretary and Compliance Officer, as referred to act, in their respective capacities.
9. In-principle listing applications dated [●] and [●] filed with the BSE and the NSE.
10. In-principle listing approvals dated [●] and [●] from the BSE and the NSE, respectively.
11. Tripartite Agreement dated [●] among our Company, NSDL and the Registrar to the Issue.
12. Tripartite Agreement dated [●] among our Company, CDSL and the Registrar to the Issue.
13. Due diligence certificate dated July 27, 2011 to SEBI from the BRLM.
14. IPO Grading Report by [●] dated [●].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.



## DECLARATION

We certify that all relevant provisions of the Companies Act, 1956, as amended, and the rules, regulations and guidelines issued by the Government of India, or the regulations 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, as amended, the Securities and Exchange Board of India Act, 1992, as amended, or the rules or regulations issued thereunder, 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 THE COMPANY

\_\_\_\_\_  
**(ATUL KUMAR RAI)**  
**(Chairman)**

\_\_\_\_\_  
**(SUJIT KUMAR MANDAL)**  
**(Non-Executive Director)**

\_\_\_\_\_  
**(TARUN KUMAR RAY)**  
**(Non-Executive Director)**

\_\_\_\_\_  
**(RAKESH KAPOOR)**  
**(Managing Director)**

\_\_\_\_\_  
**(BALESHWAR RAI)**  
**(Independent Director)**

\_\_\_\_\_  
**( RAJU SHARMA)**  
**(Independent Director)**

\_\_\_\_\_  
**(VINOD KUMAR GUPTA)**  
**(Independent Director)**

\_\_\_\_\_  
**(SHRAWAN NIGAM)**  
**(Independent Director)**

\_\_\_\_\_  
 Ashish Gupta  
**(Assistant Vice President (Finance & Accounts))**

Place: New Delhi

Date: July 27, 2011

## ANNEXURE I

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