



MIDVALLEY ENTERTAINMENT LIMITED

(CIN: U85110TN1989PLC062297)

(The Company was originally incorporated as CTV Entertainment Private Limited at Bangalore, Karnataka on July 12, 1989 under the Companies Act, 1956 and was converted into a public limited company and renamed as CEE (I) TV Entertainment Limited vide fresh certification of incorporation dated February 4, 2000.

Subsequently the name was changed to MidValley Entertainment Limited vide fresh certificate of incorporation dated December 27, 2005. The Company shifted its registered office from Bangalore to Chennai registered vide order of the Asst. Registrar of Companies, Tamil Nadu dated February 7, 2007)

Registered Office: 9th Floor, Gee Gee Emerald, 312, Valluvar Kottam High Road, Nungambakkam, Chennai – 600 034, Tamil Nadu, India

(For changes in our Registered Office, see "History and Corporate Structure of Our Company on page [●])

Tel: +91-44-4238 0055, 4238 0073, **Fax:** +91-44-4238 0065; **Website:** www.midvalleygroup.com

Contact Person: Mr. S. Narayanswamy, CFO, Company Secretary & Compliance Officer **Email:** nswamy@midvalleygroup.com

PUBLIC ISSUE OF 90, 00,000 EQUITY SHARES OF RS. 10 EACH OF MIDVALLEY ENTERTAINMENT LIMITED ("MIDVALLEY" OR THE "COMPANY" OR THE "ISSUER" FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING RS. [●] LACS ("THE ISSUE"). THE ISSUE COMPRISES A RESERVATION FOR EMPLOYEES OF UP TO 3, 00,000 EQUITY SHARES AGGREGATING RS. [●] LACS (THE "EMPLOYEE RESERVATION PORTION") AND A NET ISSUE TO THE PUBLIC OF UP TO 87, 00,000 EQUITY SHARES OF RS.10 EACH AGGREGATING RS. [●] LACS (THE "NET ISSUE"). THE ISSUE WILL CONSTITUTE 25.97% OF THE FULLY DILUTED POST-ISSUE EQUITY SHARE CAPITAL OF THE COMPANY.

PRICE BAND: Rs. [●] TO Rs. [●] PER EQUITY SHARE OF FACE VALUE Rs. 10/- EACH

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

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and at the terminals of the Syndicate Members.

The Issue is being made through the 100% book building process wherein not more than 50% of the Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Bidders ("QIBs") (including 5% of the QIB portion that would be specially reserved for Mutual Funds). Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids, being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of Mid Valley Entertainment Limited, there has been no formal market for Equity Shares of the Company. **The face value of share is Rs.10 and the Floor price is [●] times of the face value and the Cap price is [●] times the face value.** The issue Price (as has been determined and justified by the Book Running Lead Manager and the Company as stated herein under the paragraph on the Basis for the Issue price) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on The Bombay Stock Exchange Limited ("BSE") (also the Designated Stock Exchange) and the National Stock Exchange of India Limited ("NSE"). The Company has received in-principle approvals from these Stock Exchanges for the listing of Equity Shares pursuant to letters dated [●] and [●] respectively.

IPO GRADING

Our Company has appointed ICRA Ltd. for IPO Grading. ICRA Ltd. has assigned [●] Grade to the Initial Public Offering of our Company. The rationale furnished by the grading agency for its grading, will be updated at the time of filing of the Red Herring Prospectus with RoC.

BOOK RUNNING LEAD MANAGER



RELIGARE SECURITIES LIMITED

SEBI Registration No.: INM000011062

14, Mittal Chambers, Opp. Inox Theatre

Nariman Point, Mumbai 400 021.

Tel. No.: +91-22-4007 4800; **Fax No.:** +91-22-4007 4869

Website: www.religare.in ; **E-mail:** midvalley.ipo@religare.in

Contact Person: Mr. Prasanna Chandwaskar

REGISTRAR TO THE ISSUE



CAMEO CORPORATE SERVICES LIMITED

SEBI Registration No.: INR 000003753

Subramanian Building No.1

Club House Road, Chennai 600 002.

Tel. No.: +91-44-28460390; **Fax No.:** +91-44-2846 1989

Website: www.cameoindia.com; **E-mail:** investor@cameoindia.com

Contact Person: Mr. R.D. Ramasamy

BID/ISSUE SCHEDULE

BID/ISSUE OPENS ON: [●] 2007

BID/ISSUE CLOSES ON: [●] 2007

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SECTION I: DEFINITIONS AND ABBREVIATIONS

Definitions:

Terms	Description
“The Company” or “Our Company” or “MidValley Entertainment Limited” or “MEL” or “We” or “Our” or “Us”	Unless the context otherwise requires refers to MidValley Entertainment Limited, a company incorporated under the Companies Act, 1956

Issue Related Terms

Term	Description
Allotment/ Allot	Issue of Equity Shares of the Company to successful Bidders pursuant to the Public Issue
Allottee(s)	The successful Bidder to whom the Equity Shares are allotted
Articles/ Articles of Association	Articles of Association of MidValley Entertainment Limited
Banker (s) to the Issue and Escrow Collection Bank (s)	[•]
Bid	An Indication to make an offer during the Bidding/ Issue Period by a prospective investor to subscribe to or purchase the Company’s Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid/ Issue Closing Date	The date after which the member of the Syndicate will not accept any Bids for the issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Tamil News paper
Bid/ Issue Opening Date	The date on which the member of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Tamil News paper
Bid cum Application Form	The form in terms of which the Bidder shall make an Issue to subscribe to or purchase the Equity Shares and which will be considered as the application for the issue of the Equity Shares pursuant to the terms of this Draft Red Herring Prospectus
Bidder (s)	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus and Bid cum Application Form
Bidding / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which period prospective investors can submit their Bids, including any revision thereof.
Board / Board of Directors	The Board of Directors of our Company or a Committee constituted thereof
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made
BRLM/Book Running Lead Manager	Book Running Lead Manager, in this case being Religare Securities Limited
BSE	Bombay Stock Exchange Limited earlier known as The Stock Exchange, Mumbai
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, Rs [•] per equity share, above which the Issue Price will not be finalised and above which no bids will be accepted
Companies Act/ The Act	The Companies Act, 1956, as amended from time to time.
Cut-off / Cut-off Price	Any price within the Price band finalised by us in consultation with the BRLM. A Bid submitted at Cut-off Price is a valid Bid at all levels within the Price Band.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer / allot the Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Director(s)	Director(s) of MidValley Entertainment Limited, unless otherwise specified

Term	Description
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated [●] issued in accordance with Section 60B of the Companies Act and SEBI Guidelines, which did have complete particulars of the Price at which the Equity Shares are offered and the size of the Issue. Upon filing with RoC at least three days before the Bid / Issue Opening Date, it will become the Red Herring Prospectus. It will become a Prospectus upon filing with RoC after the determination of Issue Price.
Eligible Employee	Employees and Directors of the Company and its subsidiaries who are Indian nationals based in India and are present in India on the date of submission of Bid-cum- Application Form excluding Promoter directors
Eligible NRI	NRIs from such Jurisdiction outside India where it is not unlawful to make an Issue or Invitation under the Issue and in relation to whom the Draft Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares allotted herein.
Employee Reservation Portion	That portion of the Issue being a maximum of 3,00,000 Equity Shares available for allocation to Eligible Employees
Equity Shares	Equity Shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank and in whose favour the Bidder will Issue cheques in respect of the Bid and in which account the cheques/demand drafts will be deposited by the Syndicate Members
Escrow Agreement	Agreement entered into between the Syndicate Members, the Company, the Registrars and BRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Bank(s)	The Banks, which are clearing members and registered with SEBI as Bankers to the Issue at which the Escrow Account will be opened.
FII(s) / Foreign Institutional Investors	Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FVCI	Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 2000 registered with SEBI under applicable laws in India.
Financial Year/ Fiscal/ FY / Fiscal Period	The period ended April 30, 2006, March 31 2005, 2004, 2003, 2002 (unless otherwise specified)
First Bidder	The bidder whose name appears first in the bid cum application form or revision form
Floor Price	The lower end of price band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Fresh Issue/ Issue/ Public Issue/ Offer	Public issue of 90,00,000 equity shares of Rs. 10 each for cash at a price of Rs. [●] per equity share aggregating Rs. [●] lacs. The issue comprises a reservation for employees of up to 3,00,000 equity shares aggregating Rs. [●] lacs and a net issue to the public of up to 90,00,000 equity shares of Rs.10 each aggregating Rs. [●] lacs.
Income-tax Act	The Income tax Act, 1961, as amended from time to time
Issue Price	The Final Price at which Equity Shares will be allocated in terms of the Draft Red Herring Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date.
Issue Account	Account opened with the Banker to the Issue to receive monies from the Escrow Accounts on the Designated Date
Issuer	MidValley Entertainment Limited
Margin Amount	The amount paid by the bidder at the time of submission of his/her bid, being 10% to 100% of the bid amount
Memorandum/ Memorandum of Association	The Memorandum of Association of MidValley Entertainment Limited
Mutual Fund	A Mutual Fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Net Offer to the Public	87,00,000 Equity Shares of Rs. 10 each, being the Issue size (net off Employee Reservation Portion)
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders
Non-Institutional Portion	The portion of the Issue being 13,05,000 Equity Shares of Rs.10/- each available for allocation to Non-Institutional Bidders
NSE	The National Stock Exchange of India Limited
Non Residents	A person resident outside India, as defined under FEMA



Term	Description
NRI / Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a person Resident Outside India) Regulations, 2000.
OCB / Overseas Corporate Body	Overseas corporate body, is a Company, partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRIs and includes overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Pay-in-Date	Bid/Issue closing date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount the period commencing on the Bid / Issue Opening Date and extending until the Bid / Issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid / Issue Opening Date and extending until the closure of the Pay – in Date.
Price Band	The price band of Rs. [●] to Rs. [●] including revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalizes the Issue Price
Promoters	Datuk K. Ketheeswaran, Kiara Enigma Sdn. Bhd., Global Motion Picture and Ventures Pte. Ltd. and Unigold Pacific Limited
Prospectus	The Prospectus to be filed with the RoC containing, <i>inter-alia</i> , the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Issue Opening Date
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Foreign Institutional Investors registered with SEBI, Multilateral And Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 2500 Lacs and Pension Funds with a minimum corpus of Rs. 2500 Lacs
QIB Portion	The portion of the Issue being 43,50,000 Equity Shares of Rs.10 /- each available for allocation to QIB Bidder(s)
QIB Margin	An amount representing 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid.
Red Herring Prospectus/ RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC determination of the Issue Price
Registered Office of the Company	The Registered Office of the company being : 9th Floor, Gee Gee Emerald, 312, Valluvar Kottam High Road, Nungambakkam, Chennai – 600 034, Tamil Nadu, India
Registrars/ Registrars to the Issue	Cameo Corporate Services Limited
Refund Banker	Shall mean the Escrow Collection Bank who has been appointed / designated for the purpose of refunding the amount to investors either through the electronic mode as prescribed by SEBI and /or physical mode where payment through electronic mode may not be feasible, in this case being [●]
Retail Individual Bidders	Individual Bidders (including HUFs applying through karta and NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs.100,000 /- in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being 30,45,000 Equity Shares of Rs.10 /- each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as

Term	Description
	modified by their subsequent Revision Form(s), if any
RoC	The Registrar of Companies, Tamil Nadu at Chennai
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI DIP Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000 as amended, including instructions and clarifications issued by SEBI from time to time
Stock Exchanges	The BSE and the NSE
Syndicate	The BRLM and Syndicate Member(s)
Syndicate Agreement	The agreement between the Syndicate Members and the Company, in relation to collection of Bids in this Issue.
Syndicate Members	Collectively the BRLM and the Syndicate Members as disclosed in this Draft Red Herring Prospectus and are persons who are registered with SEBI and are eligible to act as Underwriters
TRS or Order Confirmation Note	Transaction Registration Slip means the slip or document registering the Bids, issued by the Syndicate Member to the Bidder as proof of registration of the Bid upon submission of the Bid-cum-Application Form in terms of this Draft Red Herring Prospectus
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The agreement between the BRLM, Syndicate Members, and the Company to be entered into on the Pricing Date

Company/ Industry related Terms

Term	Description
Auditors	The statutory auditors of the Company, M/s Venkatesh & Co.
DVD	Digital Versatile Disc or Digital Video Disc
Hyderabad Film Circuit	Includes regions of Telangana, Karnataka and Marathwada and comprises of the following districts: <i>Telangana:</i> Adilabad, Bastar, Chandrapur, Guntur, Karimnagar, Khammam, Krishna, Kurnool, Medak, Nalgonda, Nizamabad, Rajura, Rangareddy, West Godavari <i>Karnataka:</i> Bijapur, Dharwad, Gulbarga, Raichur <i>Maharashtra:</i> Ahmad Nagar, Osmanabad, Parbhani, Yavatmal
Motion Pictures	Audiovisual works consisting of a series of related images which when shown in succession, impart an impression of motion
Multiplex	Theaters with more than one screen where films are commercially screened
Occupancy Level	Percentage of seats occupied per show in a particular theater
Post-Production	The film is edited, sound effects, music and any computer effects are added, and the film is completed
Pre-Production	Preparation for the shoot, in which cast and crew are hired, locations are selected, and sets are built
Script	The dialog and instructions for a performance work
Tamil Nadu film circuit	Includes regions of Tamil Nadu, Andhra Pradesh and Puducherry and comprises of the following film distribution districts: 1. Chengalpet (NSC); 2. North Arcot including Chittore district (NSC); 3. South Arcot including Puducherry; 4. Coimbatore; 5. Salem; 6. Tirunelveli and Kanyakumari (TK); 7. Trichy and Tanjore (TT); 8. Madurai and Ramnad district (MR)
VHS	Video Home System

Term	Description
Auditors	The statutory auditors of the Company, M/s Venkatesh & Co.
Multiplex	Theaters with more than one screen where films are commercially screened
Occupancy Level	Percentage of seats occupied per show in a particular theater
Script	The dialog and instructions for a performance work
Motion Pictures	Audiovisual works consisting of a series of related images which when shown in succession, impart an impression of motion
Pre-Production	Preparation for the shoot, in which cast and crew are hired, locations are selected, and sets are built
Post-Production	The film is edited, sound effects, music and any computer effects are added, and



Term	Description
	the film is completed
DVD	Digital Versatile Disc or Digital Video Disc
VHS	Video Home System

Abbreviations

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Ltd.
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CEPS	Cash Earning per Equity Share
CFO	Chief Financial Officer
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EOU	Export Oriented unit
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
ESOP	Employee Stock Option Scheme
EU	European Union
FCNR Account	Foreign Currency Non Resident Account
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GoI	Government of India
HUF	Hindu Undivided Family
IPO	Initial Public Offering
ISO	International Standard Organization
IT	Information Technology
MNC	Multi National Company
NAV	Net Asset Value
NRE Account	Non-Resident External Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
NEFT	National Electronic Fund Transfer
PAN	Permanent Account Number
PAT	Profits After Taxation
PBT	Profits Before Taxation
P/E Ratio	Price/Earnings Ratio
PLR	Prime Lending Rate
RBI	Reserve Bank of India
RHP	Red Herring Prospectus
ROC	Registrar of Companies
RONW	Return on Net Worth
Rs./ Rupees/ INR	Indian Rupees
R&D	Research and Development
Religare	Religare Securities Limited
RTGS	Real Time Gross Settlement
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992
UK	United Kingdom
US	United States of America
USD or \$ or US \$	United States Dollar
YOY	Year on Year

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SECTION II: RISK FACTORS

CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL AND MARKET DATA

Unless otherwise stated, the financial data in this Draft Red Herring Prospectus is derived from the restated financial statements of MidValley Entertainment Limited as of and for the five years / periods ended April 30, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 prepared in accordance with Indian GAAP, audited by the Statutory Auditors and restated in accordance with the applicable SEBI Guidelines. The last fiscal year commenced on May 1, 2005 and ended on April 30, 2006.

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.

The degree to which Indian GAAP financial statements 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 Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines should accordingly be limited.

There are significant differences between Indian GAAP, the US GAAP and the International Financial Reporting Standards (IFRS). The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the company urges you to consult your own advisor regarding such differences and their impact on our financial data. Accordingly the degree to which the Indian GAAP Financial statements 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. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

Currency of Presentation:

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India. All reference to "US \$" or "U.S. Dollars" are to United states Dollars, the official currency of the United states of America. All references to "£" or "GBP" are to Pounds, the official currency of United Kingdom. All references to "€" are to Euro, the official currency of European Union. All references to "RM" or "MYR" are to Malaysian Ringgit, the official currency of Malaysia.

This Draft Red Herring Prospectus contains translations of certain currency amounts into Indian Rupees that have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These convenience translations should not be construed as a representation that those currency amount could have been, or can be converted into Indian Rupees, at any particular rate, the rates stated below, or at all.

Market Data

Unless otherwise stated, industry data used throughout this Draft Red Herring Prospectus has been obtained from internal company reports and industry publications such as

- The Indian Entertainment and Media Industry Unraveling the potential, FICCI Price Waterhouse Coopers, 2006
- The Indian Entertainment Industry - An Unfolding Opportunity, FICCI -Price Waterhouse Coopers, 2005;
- Indian Entertainment Industry Focus 2010: Dreams to Reality, CII - KPMG, 2005;
- The Indian Entertainment Industry: Emerging Trends and Opportunities, FICCI - Ernst & Young, 2004.
- <http://www.ficci.com>; <http://www.screenindia.com>; <http://www.tn.gov.in>

Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the company and Book Running Lead Manager believe that industry data used in this section is reliable, it has not been independently verified

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

FORWARD LOOKING STATEMENTS

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

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

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from expectations include, among others:

- Our ability to successfully implement strategy, growth and expansion plans;
- Our ability to successfully protect our intellectual property and to obtain intellectual property rights from third parties;
- Our dependence on key personnel;
- Government approvals
- Our ability to comply with the financial conditions and other covenants of our borrowings;
- Our ability to acquire / confirm star cast, films, screens on competitive terms;
- Changes in entertainment tax exemption rates/availability or in other laws and regulations that apply to our industry;
- Obsolescence of film projection technologies;
- The seasonality of our business;
- Changes in the Competition landscape;
- General economic and business conditions in India and other countries;
- Changes in political conditions in India;
- Occurrence of natural disasters or calamities affecting our areas of operations;
- A slowdown in economic growth in India;
- Changes in the foreign exchange control regulations in India and Fluctuations in foreign exchange rates.
- Changes in the regulatory framework governing us.
- Any downgrading of India’s debt rating by an independent agency.

For further discussion of factors that could cause Company’s actual results to differ, see the section titled “Risk Factors” on page [•] of this Draft Red Herring Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company, the Book Running Lead Manager(s), the members of the Syndicate, and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.



RISK FACTORS

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

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Draft Red Herring Prospectus, including the sections titled “Our Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the “Restated Financial Statements” included in this Draft Red Herring Prospectus beginning on pages [●],[●] and [●] respectively. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of the Equity Shares to fall significantly.

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

INTERNAL RISK FACTORS

The Company recognizes that it is subject to both market and industry risks. The Company's view of its risks, as well as how each is being addressed, is as follows:

1. Our promoters are first generation entrepreneurs and investors will be subjected to all consequential risk associated with such ventures. Our promoters have no prior experience in the media / entertainment business.

Our current promoters are relatively new in the business of film exhibition, production and distribution and been in active management of the company for a short spell of time, as a result, they have limited knowledge about business practice, organizational culture and other human resource issues. This lack of understanding may adversely affect our ability to fully implement our growth plans. We have so far procured operating leases, rented and contracted 69 theatres operating predominantly in B and C type cities in southern India in Andhra Pradesh and Tamil Nadu. We are also currently producing ‘Seena Thana 001’ a Tamil film and have distribution rights of south Indian and foreign movies for various south Indian territories.

2. We have issued shares to our promoters who are foreign corporate bodies. As per the extant RBI guidelines on investments in India, for media and entertainment sector the approval is under automatic route. However, we are required to file with RBI-FCGPR forms for investments from person resident outside India.

We have not filed the relevant FC-GPR forms on time, also the acknowledgement of RBI as on the date of this DRHP has not been received. We may face risk of the acknowledgement being denied by RBI for an irregularity technical or otherwise. A denial of the acknowledgement by RBI can affect on our business and financial position.

3. The Auditors report for the financial periods ending on January 31, 2007, April 30, 2006, March 31, 2005, 2004, 2003 and 2002 includes certain qualifications that have not been adjusted in the Restated Financial Statements.

The qualifications relate to non-payment of undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty which were outstanding as the period ending on that date. We have appealed against the demand vide Appeal dated April 26, 2007 and the same is not undisputed as on date. For further information, please refer “Government and other Statutory Approvals” on page [●]

4. Certain approvals relevant for the conduct of effective and efficient business of our company are awaited. Also, we have made applications to various authorities for granting and renewing permissions / registration that have not yet been obtained.

We have also made application to various statutory authorities for granting and renewal of licenses, which are pending. Any delay or inability to obtain these approvals / registrations could cause undue delays or inability in the continuation of our business. The following are the approvals that are pending on the date of this Draft Red Herring Prospectus:

- **Professional tax**
Professional Tax Act is applicable to the Company, however the company has not yet applied for Registration under the Act.
- **Employees State Insurance Act**
Employees State insurance Act is applicable to the Company, however the company has not yet applied for being registered under the Act.
- **Employees Provident Fund Act**

The Provisions of the Employees Provident Fund Act is applicable to the Company and the company has applied vide its application dated June 16, 2007 to the Regional P.F. Commissioner, EPFO organization, 37, Roypettah High Road, Chennai -14, for getting necessary registration in this connection.

– **Approval regarding appointment of Foreign Nationals as Directors:**

Applications have been made in Form-25A to the R.O.C, Chennai, Tamil Nadu /Ministry of Corporate Affairs on April 13, 2007 with respect to the following foreign nationals in order to get Central government approval for their appointment as director of the company.

1. Datuk K. Ketheeswaran
2. R. Chandrasegaran

The company is awaiting the above approvals.

– **Approvals for Inward Remittance and Allotment to Non Residents:**

The promoters have on various occasions (as defined in capital structure) subscribed to the share capital of the company to the tune of Rs. 1,536.5711 lacs (including premium). Form FC-GPR has been filed by the company in respect of inward remittance and allotment of Shares to Promoter / Promoter group Non Resident Shareholders. However the approval / acknowledgement of RBI have not yet been received.

– **Approvals for Inward Remittance and Transfer to Non Residents:**

The promoter /promoter group have acquired 15,93,333 Equity shares from the erstwhile promoters of the company. However the requisite RBI approval for the transfer of shares from a resident to a non-resident has not been obtained. The quantum of funds involved is Rs. 239.00 lacs.

For more details, please refer to the section titled “Government and other Statutory Approvals” on page [●] of this Draft Red Herring Prospectus.

5. We have in the 11 month period ending April 30, 2006 defaulted on and entered into One Time Settlement (OTS) with City Union Bank.

We have entered into a one time settlement with city union bank for the settlement of dues. The details of the settlement are as under:

<i>Rs. in lacs</i>	
Particulars	Amount
O/s due as per books of accounts:	273.62324
Amount paid to the bank:	170.00000
Reduction on settlement:	103.62324

6. We have witnessed negative cash flows from operations during the FY 2001-02, 2002-03, 13 month period ended April 30, 2006 and 9 month period ended on January 31, 2007.

The negative cash flows in 13 month period ended April 30, 2006 and 9 month period ended January 31, 2007 have been the result of our aggressive focus on exhibition business. Since the same was in its initial stages of formation the cash flow from operations were negative due to greater investment in working capital, however we continued to report profit after tax. The table below summarizes the cash flows and PAT for the above referred periods.

<i>Rs. in lacs</i>						
Particulars	9 month ended January 31, 2007	13 month ended April 30, 2006	FY 2004-05	FY 2003-04	FY 2002-03	FY 2001-02
Net Cash flow from operating activities	(784.77)	(887.24)	402.14	88.92	(358.97)	(646.55)
Net Profit after tax, before extraordinary items (as restated)	625.93	181.22	31.89	29.49	20.07	(41.88)

Also, We are in the process of making a movie, Seena Thanna 001, that is yet to be released, however the cash outgo for the same is reflected in the increased current assets for the current period and the revenues would accrue only post the release of the movie.

7. Default in paying undisputed amount in respect of Income Tax deducted at source (TDS) and CST and were outstanding for a period exceeding 6 months. The same are qualified in the Auditors report and are a liability, however no adjustment has been made for the qualification.

The defaults during the period under discussion are as under:

<i>Rs. in lacs</i>						
Particulars	9 month ended January 31, 2007	13 month ended April 30, 2006	FY 2004-05	FY 2003-04	FY 2002-03	FY 2001-02



Amount due in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty	68.59	68.59	9.93	7.82	7.82	7.82
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The above liabilities have not been provided in the accounts relating to any of the periods. The company has received notice for arrears of demand vide letter dated May 16, 2007 wherein the amount involved has increased to Rs. 74.02 lacs. The company has filed an appeal vide application dated April 26, 2007 and is hopeful of a favorable settlement of dispute, pending which no adjustment has been made in the profit number for any of the period.

8. The objects of the Issue have not been appraised by any Bank or Financial Institutions. The company has not entered into any definitive agreements or placed orders for acquisition of theatres and purchase of equipment required to operate and exhibit movies at the acquired / leased cinemas, refurbishment and renovation. Also, there is no assurance that we would be able to implement our proposed projects in a time bound manner.

The deployment of funds as stated in the section titled “Objects of the Issue” beginning on page [●] is entirely at management discretion subject to monitoring by an the monitoring agency. All the figures included under the “Objects of the Issue” are based on our own estimates. There has been no independent appraisal of the project. The Company has not entered into definitive agreements or placed orders for purchase of equipment required to operate intended cinemas. The company may not be able to acquire the requisite number of theatres at remunerative terms thus pushing costs and adversely affecting the return on investments. There can be no assurance that the company would be able to conclude such definitive agreements on remunerative terms, or if at all. However the company has appointed monitoring agency for monitoring the utilisation of issue proceeds.

In the event that there is a delay in the schedule of implementation of the proposed projects for various reasons including but not limited to, acquisition delays, delay in receipt of government approvals, delay in delivery of equipment by suppliers etc our business may be adversely affected. Although we will make all efforts to implement the projects on time, we cannot assure that the projects will be implemented on a timely basis.

We believe there is a growth potential for the entertainment industry in India and the demand for theatres and entertainment would grow in foreseeable future. For details about the industry, please refer to ‘Industry Overview’ on page [●] of the Draft red Herring Prospectus. The Company has also not placed any orders for the equipments to be acquired out of the proceeds of the issue as the equipments required are readily available in the market.

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

Our business is seasonal in nature. Our revenues are higher during the April-June and October- December quarters. Our revenues increase in the third quarter of financial year (October-December quarter) due to the occurrence of festivals like Durga Puja, Diwali, Christmas, etc, as well as during the summer vacation season (April-June quarter), during which time the film industry generally reports higher revenues. As a result of this, our quarter-to-quarter results may not be comparable or a meaningful indicator of its future performance.

It is possible that in the future some of our quarterly results of operations may be below expectations of market analysts and its investors and which adversely impact our market price of our Equity Shares.

Also, various factors like any political unrest, bandh, terrorist attacks, etc. may substantially decrease our revenues in these quarters which in turn could materially adversely impact our business and financial operations.

10. We intend to raise funds to fund the following verticals of the business of the company:

		<i>Rs. in lacs</i>
Sr. No.	Cost of Project	Amount
A	Production of 3 movies	1,171.56
B	Distribution of south Indian, Bollywood and Hollywood movies	500.00
C	Exhibition	4,777.29

There have been instances in the past 3 financial years (periods) wherein the contribution from any vertical is lesser than 25% of the total income of the company.

									<i>Rs. in lacs</i>
Particulars	9 month period ended	%	13 month period ended	%	FY ended	%	FY ended	%	
	January 31, 2007		April 30, 2006		March 31, 2005		March 31, 2004		
Production	299.00	7.47%	1,289.79	96.20%	1,310.81	83.79%	72.24	7.68%	
Distribution	937.05	23.41%	-	0.00%	243.92	15.59%	868.86	92.32%	
Exhibition	2,765.38	69.08%	46.21	3.45%	0.60	0.04%	-	0.00%	

Particulars	9 month period ended	%	13 month period ended	%	FY ended	%	FY ended	%
	January 31, 2007		April 30, 2006		March 31, 2005		March 31, 2004	
Others	1.75	0.04%	4.70	0.35%	9.09	0.58%	-	0.00%
Total	4,003.18	100.00%	1,340.70	100.00%	1,564.42	100.00%	941.10	100.00%

11. We are dependent on the management team for our success.

Our success is substantially dependent on the expertise and services of our senior management team and our ability to attract and recruit talented and skilled personnel's. The loss of the services of such key members of our management team or our directors or other key managerial personnel or an inability to retain these personnel could have an adverse effect on our business and results of our operations.

12. Our business and financial results are dependent on the popularity of the films that we exhibit and produce. The cost of exhibition of a film varies across films and cinemas and if we are unable to obtain films on competitive terms our results of operations may be adversely affected.

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

The film exhibition industry in India relies on distributors to obtain films for exhibition. For hiring a film, the distributor's share is normally a percentage of ticket receipts (net of entertainment taxes) and the applicable percentage is negotiated on a film to film basis in respect of movies produced in India and periodically for film releases by international studios. Distributors work on a non-exclusive basis and there is competition between exhibitors to acquire films. Competitive pressures may result in increasing the cost at which the company acquires the rights to exhibit films. If the company is unable to recover such increased costs through higher ticket collections or other forms of revenue generation, our results of operations would be adversely affected.

13. There could be changes in implementation schedule of projects

Our estimated fund requirement is based on its current business plan. However, we operate in a highly competitive and dynamic industry and may have to revise our business plan from time to time on account of new projects that we may pursue including any industry consolidation initiatives.

14. The success of film production depends on our directors, scriptwriters, artists and technicians and their loss or unavailability could adversely affect our business.

Film production and its success largely depend upon creativity and individual skills of few people like the directors, scriptwriter, actors and other technicians, which are not readily replaceable. Thus the entire success of our movie depends upon the creativity of these few peoples. Unavailability of dates of directors, actors and other technicians could also delay our projects. Further in case of any dispute with, or loss of any of these people for any reason in the course of production of movies, may adversely effect the completion of the film, which in turn could materially adversely affect results of our operations.

15. The production and release of films produced by the Company may be subject to certain delays including but not limited to termination of contract by or with the directors, star cast, writer, music director, delay/ non issuance of certification for theatrical exhibition by the Censor Board.

The events are part of the business of the enterprise and our company and management work to enhance the value of all stakeholders concerned and accordingly the decisions would be based on the collective merit and furthering the interest of all concerned. However an eventuality may adversely effect the completion of the film, which in turn could materially adversely affect results of our operations.

16. We are largely dependent on our film releases for major part of our income.

Our business model at present is skewed towards movie releases and the revenue tends to rise/fall depending upon the number of films released and success of these films during a financial year. Our operations in a particular quarter largely depend on the number of films released and its commercial success. The number of film releases varies from quarter to quarter. Hence there could be wide fluctuation in our quarterly results and the same could affect the trading price of equity shares

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

The success of our business will depend on our ability to effectively implement our business and growth strategy. Whilst we have successfully executed our business strategy in the past, there can be no assurance that we will be able



to execute our strategy on time and within the estimated budget, or that we will meet the expectations of targeted viewers. We expect our growth strategy to place significant demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls.

18. Any policies of the government that regulate the pricing of the tickets would have a direct effect on our revenues and consequently our profitability.

The Government of Tamil Nadu had put a ceiling on the maximum price of tickets for a movie show vide it order dated December 12, 2006, effective January 1, 2007. This could have an effect on our revenues. Further, any additional regulatory measures ensured by the state or agencies of the state would have an effect on our operations and profitability.

19. Increased competition may result in decreased demand or lower prices for our products. Our failure to effectively compete could reduce our profitability.

We face substantial competition due to technological advances by competitors existing in the movie screening arena. We compete with other screeners on the basis of availability of arrangements, selection of movies, and other factors as well as based on price, reputation, customer service and customer convenience. We also compete with other production houses for tying up with the star cast. Further, the introduction of multiplex culture and tax sops has resulted in the entry of various multiplex chains into the exhibition industry, thus increasing the competition in the industry. Our major competitors are a host of other single screen theatre owners and operators. We anticipate that we will continue to face new and different competitive challenges. If a competitor is successful in sourcing a hot movie, it would affect our collections and which could have a material adverse effect on our business, results of operations and financial condition.

20. Most of the lease deeds that we have entered into for various properties have not been adequately stamped and registered.

Most of the lease deeds that we have entered into with respect to properties that we have leased out from third parties have not been adequately stamped under the Tamil Nadu Stamp Rules, u/s 76A of the Indian Stamp Act 1899. We have entered into lease deeds with various parties for acquiring theatres on lease and registration of lease deeds in the markets is not an acceptable business practice since the registration is only recommendatory and is not mandatory.

21. We may face risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including whether we can identify opportunities, complete the transactions and integration of the target companies into our business.

Our proposed growth strategy involves entering into strategic partnerships with other screeners in different regions, where we are currently under-represented and, evaluating on a case-by-case basis potential acquisition targets that offer an opportunity to grow our business and/or expand our capabilities or geographical reach. We may also have discussions with certain companies regarding our acquiring, investing in or partnering with their businesses, products, services or technologies. We may not be able to identify and fully evaluate a suitable acquisition, investment or strategic partnership, which may place us at a disadvantage if our competitors are able to grow their market share through acquisitions. If we do identify suitable candidates, we may not be able to complete those transactions on commercially acceptable terms or at all, or such acquisitions may result in the incurrence of indebtedness or the issuance of additional equity securities. If we acquire another company, we could have difficulty in integrating that company's personnel, products, operations and technology. In addition, the key personnel of the acquired company may decide not to work for us and its key clients may decide to terminate their agreements with us or reduce the volume of their purchases. These difficulties could disrupt our ongoing business, distract our management and employees and adversely affect our results of operations.

22. Piracy and home viewing may decrease the profit potential of Our Company. We use the Digital projection technologies, requiring us to incur significant capital expenditure

On account of inadequate enforcement of anti-piracy laws in India, and on account of increasing home viewing options, the number of cinema patrons may reduce in the future. Further, our Company relies on Intellectual Property Rights (Rights of our movies), which may not be adequately protected under the current laws. Failure to protect our Intellectual Property Rights could effect our competitive position and have a material adverse effect on our revenues, profitability and results of operations. The digital projection technology requires us to make incremental capital investments in such new technology, failing which our business and results of operations may be adversely affected.

23. We face risks associated with the implementation of our business of exhibition

We are leasing out theatres on long term (5 years) and refurbishing it with projectors and DTS sound system and other equipments. The company has tied up with about 69 theatres as on June 30, 2007 in Tamil Nadu and Andhra Pradesh. Also, MidValley concentrates on the B & C class centers as of now. One of the objects of the Issue is to acquire lease of 250 theatres in the southern states. There are several risks in developing new cinemas, including the following:

- Exhibition in cinemas that the company proposes to implement is capital intensive.
- The budgeted resources for implementation of these new projects may be inadequate and we may incur cost overruns, which could adversely affect our financial position and our results of operations.
- Delays in the scheduled implementation of the proposed projects for any reason, including refurbishing delays, or delays in delivery of equipment by suppliers, could adversely affect our financial position.
- The new cinemas may not achieve the requisite levels of patronage projected by us at the project evaluation stage, which could adversely affect our results of operations and financial condition.

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

24. Competition from established and new players in the Industry

Our Company faces competition from established players of the Film Industry as well as new entrants into the industry. However, our Company believes that it shall be able to sustain the competition due to its experience and presence in all the segments of the industry and the integrated structure of its business activities of production, distribution and exhibition. However there can be no assurance that the competition would invade into our domain in future. Our business model is niche market in B and C class cities and any predatory tactics adopted by existing or new competition and our reaction thereto could affect our financial position and our results of operations.

25. Some of our trademarks and copy rights have not been registered

We have filed applications for registration of our trademarks and copy rights and these applications are pending with the relevant authorities. For a list of the applications made by us please see the section titled “Outstanding Litigations and Government Approvals” beginning on page [●] of this Draft Red Herring Prospectus. In the event we are not able to obtain registrations in respect of the trademark applications filed by us we may not obtain statutory protections available in respect of a registered trademark.

26. We may not be fully insured for losses we may incur

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions, the limitations of liability set forth in our contracts may not be enforceable in all instances or may not protect us from liability for damages. In addition, certain liabilities, such as claims by third parties for which we may be required to indemnify our clients, are generally not limited under those agreements. Although we have general liability insurance coverage for certain clients, that coverage may not continue to be available on reasonable terms or be available in sufficient amounts to cover one or more large claims and our insurers may disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our results of operations, financial condition and cash flows.

27. We have issued Equity shares to our promoters in the past 1 year below the proposed Issue price as under:

Name of the Promoter	Date of Acquisition	No. of Equity Shares of Rs. 10/- each	Issue Price
Global Motion Pictures and Ventures Private Limited	November 27, 2006	18,00,000	Rs.10/-
Global Motion Pictures and Ventures Private Limited	December 27, 2006	11,00,000	Rs.10/-

28. Our Promoters have incurred losses in the operations

Sr. No.	Name of the Promoter	Amount		
1.	Unigold Pacific Limited	USD (6026.22) during the January 1, 2006 to December 31, 2006	USD (3859.66) during the period June 17, 2005 to December 31, 2005.	-
2.	Global Motion Pictures and Ventures Pte. Ltd.	USD (10,210.05) during the period January 1, 2006 to December 31, 2006	USD (3162.42) during the period September 13, 2005 to December 31, 2005	-
3.	Kiara Enigma Sdn. Bhd.	RM (77,861.20) during February 1, 2006 to January 31, 2007	RM (5203) during February 1, 2005 to January 31, 2006	RM (4098) during August 12, 2003 to January 31, 2005



29. The following promoter group have incurred losses as under:

Sr. No.	Name of the Company	Currency	Amount		
			(29,59,225) as on June 30, 2006	(57,76,981) as on June 30, 2005	(58,55,178) as on June 30, 2004
1.	Multi Vest Resources Berhand	RM	(29,59,225) as on June 30, 2006	(57,76,981) as on June 30, 2005	(58,55,178) as on June 30, 2004
2.	Benta Plantations (Perak) Sdn. Bhd.	RM	(5,23,788) as on June 30, 2006	-	-
3.	Komplek Mutiara Sdn. Bhd.	RM	(16,892) as on June 30, 2006	(5,446) as on June 30, 2005	(31,741) as on June 30, 2004
4.	Lombard Street Sdn. Bhd.	RM	(41,165) as on June 30, 2006	(17,05,808) as on June 30, 2005	(1,231) as on June 30, 2004
5.	Allegro Equity (M) Sdn. Bhd.	RM	(4,383) as on August 31, 2006	(2,448) as on August 31, 2005	(7,272) as on August 31, 2004
6.	Megha Pharma and Vaccines (M) Sdn. Bhd.	RM	-	-	(3,25,694) as on June 30, 2004
7.	Puas Emas Utilities Sdn. Bhd.	RM	-	(2,080) as on June 30, 2005	(6,30,042) as on June 30, 2004

Besides the above, one of our group company, Global International Ventures Groups Limited is non-operational. Our promoters have also disassociated with the following companies in recent past-

- Drishti India Limited
- Lombard Streets Estates India Private Limited
- Innobiovest Sdn. Bhd.
- Megha Medi Equipments Sdn. Bhd.

30. Public Image of Lead Artists working in Films Produced by us may affect the success of film.

Since the lead artists are usually public figures, their image in public is very crucial to their popularity. Any dent to their public image for any reason whatsoever at the time of release of the film may impact the performance of the Film and consequently our operations and profitability.

31. There is no standard valuation methodology in the media/entertainment industry.

There is no standard valuation methodology or accounting practice in the media/entertainment industry. The financials of our Company are not comparable with other players in the media/entertainment industry. Valuations in media/entertainment industry may presently be high and may not be sustained in future and may also not be reflective of future valuations for the industry. Further, since there are limited numbers of listed companies in media/entertainment industry, current valuations of other listed companies may not be comparable with our Company.

32. Valuations in the Software/ IT / Media / Entertainment industry are presently high and may not be sustained in future and may also not be reflective of future valuations for the industry.

33. Success of the distribution business depends upon the commercial success of various films. Film rights are granted to us for a specified period only.

Success of the distribution business depends upon the commercial success of various films. In case where a film is distributed on a minimum guarantee basis, we may incur a substantial loss, if the said film is not a box office success. Further, lack of quality content in a film will be reflected in the box office performance and will in turn impact our profitability. The profitability of the distribution business will also depend on the purchase price of the film. There is no guarantee that the box office performance will be commensurate with the price paid.

Most of the film rights, including theatrical exhibition rights and satellite/Television rights, procured by us are limited to a specific period and may not be available to us on a continuous basis.

34. The company had earlier filed a Draft Prospectus with SEBI under the previous management in the year 2000. The Company received the SEBI observation from Southern Regional Office of SEBI vide letter no. 1(26)/20018/1377 dated June 1, 2000. The company however in view of the prevailing market sentiments then decided not to move ahead with the Public Issue.

35. Our contingent liabilities could adversely affect our financial condition

Our company has the following contingent liabilities as on January 3, 2007

	<i>Rs. in lacs</i>
a) Disputed compensation demanded by an Ex-employee	10.00
b) Commission payable on distribution Contracts.	10.00
c) TDS & income tax Payable	68.59

EXTERNAL RISK FACTORS

Certain factors beyond the control of the Company could have a negative impact on the Company's performance, such as:

1. The Indian film exhibition sector is highly regulated and changes in regulations may have an adverse effect on our business.

The Indian film exhibition sector is highly regulated by both the central and the state governments. These regulations and policies are highly detailed and extend to all aspects of building and safety requirements, specify preconditions to be met for licensing requirements, show tax and entertainment tax registrations and the pre-conditions for grant of exemptions from the payment of entertainment tax. These regulations and policies have an important impact on our ability to operate cinemas and the viability of our cinemas in different states. Changes in these regulations may have an adverse effect on our business or render the same unviable by increasing compliance requirements and compliance costs.

2. A slowdown in economic growth in India could cause our business to suffer.

The Indian economy has shown sustained growth over the last few years. The estimate of GDP released by the Central Statistical Organization ("CSO") has placed the GDP growth at 6.9% in fiscal 2005. GDP in India grew at 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. Any slowdown in the Indian economy and the consequent impact on disposable income could adversely affect the number of patrons at our cinemas as well as the ad-spend by our advertising customers, which could adversely affect our results of operations.

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

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the Government of India has pursued policies of economic liberalization, and has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy. The Company cannot assure you that the liberalization policies will continue.

Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and the company's business in particular. The Company financial performance and the market price of the Equity Shares may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government of India policies (including taxation policies), social stability or other political, economic or diplomatic developments affecting India in the future.

4. A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to decline.

Our assets and customers are located in India. The government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including our Equity Shares. The present government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our financial performance and the price of our Equity Shares.

5. Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

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 impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 has also adversely affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and our results of operations.

6. Accidents in our cinemas may lead to public liability consequences.

Though we take all possible steps to ensure adoption and compliance with high standards of safety and fire control in our cinemas, we cannot assure you that these mechanisms will be adequate to contain safety risks that may arise in the



future. Though we maintain public liability insurance cover for our cinemas, in the event of an accident, we may be exposed to civil, tort and criminal liabilities.]

7. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect our business and the Indian financial markets.

Public places like cinemas could and have in the past been targets for terrorist attacks and rioting. Any violence in public places such as cinemas could cause damage to life and property, and also impact customer sentiment and their willingness to visit cinemas, which would have a material adverse effect on our business and results of operations. Our insurance policies for assets cover, among other things, terrorism, fire and earthquakes. However, our insurance policies may not be adequate to cover the loss arising from these events, which could adversely affect our results of operations. India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

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

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian 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 market price of the Equity Shares after this Issue may be subject to significant fluctuations in response to, among other factors, our results of operations and performance; subsequent corporate actions taken by us, performance of our competitors, market conditions specific to the Indian film industry, and the market perception about investments in the film exhibition industry.

9. The entertainment industry is subject to shifts in tastes and preferences of audiences.

The entertainment industry is prone to unforeseen shifts in tastes and preferences of audiences, which could have an impact on the operations of the Company. Our success will depend on our ability to understand the business environment and change our business strategy accordingly.

10. The Company may face competition from existing single cinema theaters and multiplexes and future entrants into the industry.

Competition from existing single cinema theaters and multiplexes and future entrants in the film exhibition multiplex business in which the Company operates and proposes to operate. The concentration of multiplexes in a particular area will impact the footfalls and in turn adversely impact the profitability.

11. Changes in technology may require us to make substantial capital investments.

Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.

12. Cinema Theatres could be likely targets for unforeseen acts of violence including terrorist attacks and rioting.

Public places such as Cinema Theatres could be likely targets for unforeseen acts of violence (including terrorist acts and rioting), which may impact the exhibition business. Any violence in public places such as theatres could cause damage to life and property, and also impact customer sentiment and their willingness to visit public places. The insurance cover may not be adequate to cover the loss arising from these events and could adversely impact our operations. For further details please refer to page [●] of this Draft Red Herring Prospectus.

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

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

- results of operations and performance;
- perceptions about the future performance;
- performance of the competitors in the industry and the perception in the market about investments made in new initiatives
- adverse media reports on the company or the industry;
- changes in the estimates of the performance or recommendations by financial analysts;
- significant developments in India's economic liberalization and deregulation policies
- significant development in India's fiscal and environmental regulations.
- significant volatility in the domestic and global equity markets.

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

Notes to Risk Factors:

- Size of the present issue:
PUBLIC ISSUE OF 90, 00,000 EQUITY SHARES OF RS. 10 EACH OF MIDVALLEY ENTERTAINMENT LIMITED (“MIDVALLEY” OR THE “COMPANY” OR THE “ISSUER” FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDIGN A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING RS. [●] LACS (“THE ISSUE”). THE ISSUE COMPRISES A RESERVATION FOR EMPLOYEES OF UP TO 3, 00,000 EQUITY SHARES AGGREGATING RS. [●] LACS (THE”EMPLOYEE RESERVATION PORTION”) AND A NET ISSUE TO THE PUBLIC OF UP TO 87, 00,000 EQUITY SHARES OF RS.10 EACH AGGREGATING RS. [●] LACS (THE “NET ISSUE”). THE ISSUE WILL CONSTITUTE 25.97 % OF THE FULLY DILUTED POST-ISSUE EQUITY SHARE CAPITAL OF THE COMPANY.

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

Name of the Promoter	Average Cost of Acquisition (Rs.) per share
Unigold Pacific Limited	Rs. 15.00
Kiara Enigma Sdn. Bhd	Rs. 15.00
Global Motion Pictures Ventures Ltd.	Rs. 12.42

- The Net worth of the Company as on April 30, 2006 is Rs 3,482.56 lacs and for the 9 month period ended January 31, 2007 is Rs 4712.08 lacs as per Indian GAAP and the Book Value per share of the company as on April 30, 2006 is Rs 16.56 and for the nine month period ended January 31, 2007 is Rs 18.37.
- Investors may please note that in the event of over subscription, allotment shall be made on proportionate basis in consultation with the Bombay Stock Exchange Limited, the Designated Stock Exchange. For more information see” Basis of Allotment” beginning on page [●] of the Draft Red Herring prospectus.
- Investors are advised to refer to the paragraph on “Basis for Issue Price” on page [●] of this Draft Red Herring Prospectus before making an investment in this issue.
- Investors are free to contact the BRLM or the Compliance Officer of the Company for any clarifications or information relating to the Issue.
- Trading in Equity Shares of our Company for all the Investors shall be in dematerialized form only.
- The Issue is being made through a 100% Book Building Process wherein up to 50% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”) (including 5% thereof to be allocated to Mutual Funds). Further, at least 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional bidders and at least 35% of the Issue will be available for allocation on a proportionate basis to the Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- For Related Party transactions refer to the section entitled “Financial Statements” on page no. [●] of this Draft Red Herring Prospectus.
- The loans and advances as on January 31, 2007 include Rs.59.28 lacs due from a Ex-director Dr. Murali Manohar.
- For details relating to loans and advances please refer to section entitled “Financial Statements” on page [●] of the Draft Red Herring Prospectus.
- No part of the issue proceeds will be paid as consideration to promoters, directors, Key managerial personnel or associate.
- Any clarification or information relating to the Issue shall be made available by the BRLM and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the BRLM for any complaints pertaining to the Issue. Investors are free to contact the BRLM for any clarification or information relating to the Issue who will be obliged to provide the same to the investor.



SECTION III: INTRODUCTION

SUMMARY

This is only the summary and does not contain all information that you shall consider before investing in Equity Shares. You should read the entire Draft Red Herring Prospectus, including the information on “Risk Factors” and related notes on page [●] of this DRHP before deciding to invest in Equity Shares.

INDUSTRY OVERVIEW

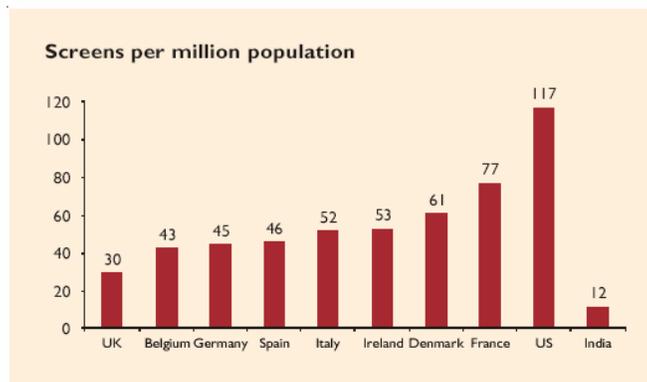
The Indian Entertainment Industry - An Overview

As the Indian economy continues growing, the Indian middle class will also expand significantly. Compared to other nations, the 3000 lacs strong Indian middle class allocates a higher percentage of its monthly expenditure on entertainment. The increasing consumerism of middle-class India is seen from the sharp growth in the sales for various products like automobiles, colour television sets and mobile phones and the burgeoning increase in credit cards and personal loans. There is an increase in the direct consumer spending on entertainment and advertising revenues have also been on the rise.

With the average Indian getting younger, and hence more likely to spend on nonessentials, the entertainment industry has the potential to grow explosively in the future. The Indian Entertainment and Media Industry is one of the fastest growing sectors in India. It is rising on the back of economic growth and rising income levels that India has been experiencing in the past decade, India is one of the fastest growing economies in the world. In terms of purchasing power parity, it is already the fourth largest economy in the world. An added boost to the entertainment and media industry in India is from the demographic point of view where the consumer spending is rising due to increasing disposable incomes on account of sustained growth in income levels and reduction of personal income tax over the last decade.

Film Exhibition

Though the number of admissions is the highest in the world, when compared to the number of screens available for India's population, the average is relatively low as compared with other countries. With around 12,900 theatres in the country that are mostly single-screen, the average screen density works out to be only 12 screens per 10 lac population. In contrast, the US average is about 117 screens (per 10 lac population) and the UK average is 30 screens (per 10 lac population). Even if a gap of just 8 screen average (as per the UNESCO Report of 2001, quoted in the CII-KPMG Report 2005) is considered, there is a potential demand of about 8,000 additional screens in the country.



Source: UNESCO Report 2001 as quoted in CII-KPMG Report 2005

Most of the theatres in India are single-screen theatres and not the highest quality, which has resulted in lower occupancy rates and lower ticket prices. This provided an opportunity for companies to take over such theatres on lease/contract basis (most of such theatres are owned by individuals who are running into losses and hence are willing to enter into such contracts) for up-gradation or conversion to multiplexes. Such up-gradation and conversions to multiplexes is resulting in higher occupancy rates and thereby the opportunity for exhibitors to charge higher ticket prices. This growth of the multiplexes has resulted in the average ticket prices to rise by more than 5 times. Further, average occupancy levels have also steadily risen resulting in higher box office collections. Such companies also retain the right to monitor the ticket collections and having retained a share are able to recover their investments faster than if they opted to set-up a new theatre.

Further, about 60 percent of the theatres in the country are situated in the four Indian southern states of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka servicing 22% of the Indian population. Andhra Pradesh has more than 2,800 cinema halls compared to 900 in Maharashtra and 1,100 in Uttar Pradesh. In 2004, there were around 250 Hindi films but 485 South Indian films. The entertainment taxes in South India are amongst the lowest.

BUSINESS OVERVIEW

MidValley Entertainment Limited is one of the leading players in the media and entertainment industry in South India. We are engaged in the media and entertainment activity from concept to completion. We produce, distribute and exhibit movies both in Indian and foreign languages. We intend to emerge as one of the leading theatre chain in Southern India. We currently operate 69 theatres in distribution territories of Hyderabad and Tamil Nadu.

MidValley currently focuses on the following business areas:

- Production of movies
- Distribution of movies
- Exhibition of movies

The company is based out of Chennai, Tamil Nadu, India and is active in exhibition business and operates a theater chain in Southern India besides producing and distributing movies. India is a growing entertainment market, however, there is a lack of quality theatres beyond the metros and some of the Tier-I towns and video piracy and home viewing has made a dent on theatre collections. We are in the process of creating a chain of theatres under our management and operational control. We intend to converge into a media and entertainment company having presence in production, distribution and exhibition thus integrating the production and the last mile access platform for movie delivery and our presence from script to screen.

MidValley has embarked on a project to lease in theatres in southern states and convert the same into a pleasant viewing experience for movie watchers. It intends to upgrade the infrastructure in these theatres and install digital projection equipment with an objective to take movies to the Indian masses. The company has already leased in 69 theatres and is in the process of acquiring more such theatres. The company intends to focus on B and C class towns initially. We intend to use digital technology and convert the theatres leased in by us into digital theme theatres.

The single screen theatres today are suffering due to:

- poor quality of theatrical infrastructure
- poor services due to years of neglect of infrastructural and qualitative improvements
- unhygienic conditions
- poor seating and
- outdated equipments

MidValley believes that the performance of single screen theatres would improve if the management is professionalized and a chain of theatres takes over the operation and maintenance of the theatres bringing economies of scale and bargaining power with distributors. As of today, a movie screening in B and C class towns is ~ 30 days post the date of release and the revenue potential of these cities is not completely tapped. MidValley intends to have better bargaining power with distributors and thus exhibit the movies in B and C centers along with release of the movie; this would mean that movies would be exhibited when there is still an aura of inquisitiveness around them even in B and Class cities.

In all as on June 30, 2007, we have tied up a total of 69 single screens of existing theatres in the territories of Tamil Nadu and Hyderabad. The combined number of seats available across the theatres in our chain is approximately 47,000.

Business Strategy

Our goal is to create a strong theatre chain in southern India. Our strategy is to acquire the existing single screen theatres on lease and convert them into digital theatres and improve their ambience and outlook and to make movie going a part of life for viewers and bring the latest releases to the theatres thereby being in market at the time when there is a demand.



SUMMARY OF THE FINANCIAL DATA

The Summary of financial and operating information presented below should be read in conjunction with the financial statements, the notes thereto included in financial statements and Management and Discussion of financial conditions and the result of operation on page [•] and page [•] respectively of the Draft Red Herring Prospectus.

Restated Statement of Assets and Liabilities

(Amount Rs. in Lacs)

Particulars	Year / Period Ended					
	9 month 31-Jan- 07	13 month 30-Apr- 06	12 month 31-Mar- 05	12 month 31-Mar- 04	12 month 31-Mar- 03	12 month 31-Mar- 02
ASSETS						
Fixed Assets:						
Gross Block	855.22	787.08	716.51	421.83	331.94	331.91
Less: Depreciation & Amortization	154.21	135.08	108.31	93.33	75.39	53.87
Net Block (A)	701.01	652.00	608.20	328.50	256.55	278.04
Investments (B) <i>(Investments in Subsidiary Company)</i>	-	0.85	-	-	-	-
Current Assets, Loans and Advances:						
Inventories	1,758.18	2,033.76	1,696.92	1,166.47	1,409.82	1,582.00
Sundry Debtors	890.54	489.68	176.94	777.61	1,064.39	746.32
Cash and Bank Balances	64.97	96.47	2.51	2.38	4.35	8.77
Loans and Advances	2,049.95	528.78	441.13	269.09	101.72	106.16
Total (C)	4,763.64	3,148.69	2,317.50	2,215.55	2,580.28	2,443.25
Liabilities and Provisions:						
Secured Loans	16.82	17.36	273.62	273.62	252.59	231.45
Unsecured Loans	181.83	51.23	76.47	198.57	199.57	294.26
Deferred Tax Liability	44.46	44.47	20.06	13.82	35.73	47.54
Current Liabilities	12.31	70.26	458.23	318.20	646.96	750.63
Provisions	497.15	135.66	29.61	10.61	9.99	9.24
Total (D)	752.57	318.98	857.99	814.82	1,144.84	1,333.12
Miscellaneous Expenditure <i>(to the extent not w/off)</i>	47.94	37.98	23.27	30.97	38.71	37.45
NET ASSETS (A+B+C-D)	4,760.02	3,520.54	2,090.98	1,760.20	1,730.70	1,425.62
REPRESENTED BY						
Share Capital <i>(Issued, Subscribed and paid up)</i>	2,565.31	2,102.54	1,374.27	1,175.00	1,175.00	985.00
Reserves and Surplus						
-Share Premium	973.16	921.77	557.63	458.00	458.00	363.00
-Surplus as per P & L a/c.	1,221.55	496.23	159.08	127.20	97.70	77.62
NET WORTH	4,760.02	3,520.54	2,090.98	1,760.20	1,730.70	1,425.62

Restated Statement of Profit and Loss Account*(Amount Rs. in Lacs)*

Particulars	Period / Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
INCOME						
Production						
Export of Serials and Films	-	7.41	10.14	52.19	11.92	388.01
Income from Serials	-	-	-	20.00	37.02	13.50
Sale of Programs / Feature Films	299.00	1,282.38	1,300.67	-	78.04	-
Sale of Cassettes	-	-	-	0.05	26.57	-
Distribution						
Distribution of Films	937.05	-	243.84	-	225.01	273.18
Sale of Rights	-	-	0.08	868.86	148.44	196.10
Exhibition						
Theatre Collection	2,761.27	45.88	0.60	-	-	-
Theatre Stall Income	4.11	0.30	-	-	-	-
Theatre Slide Show Income	-	0.03	-	-	-	-
Others						
Other Income	1.75	4.70	9.09	-	0.32	2.31
Total	4,003.18	1,340.70	1,564.42	941.10	527.32	873.10
EXPENDITURE						
Cost of Production/ Distribution/ Purchase of Films	2,967.25	919.76	1,354.72	850.40	408.43	725.79
Administrative Expenses	56.09	61.02	107.57	35.62	47.06	83.56
Interest	1.10	1.16	14.71	21.20	39.17	36.00
Depreciation	19.14	26.76	14.98	17.94	23.65	21.62
Preliminary Expenses written off	7.70	9.50	7.74	7.74	-	-
Total	3,051.28	1,018.20	1,499.72	932.90	518.31	866.97
Adjusted Profit Before Tax and Extraordinary items	951.90	322.50	64.70	8.20	9.01	6.13
Less: Provision for Tax						
- Current Tax	314.50	116.22	26.57	0.62	0.76	0.47
- Deferred Tax	-	24.40	6.24	(21.91)	(11.82)	47.54
- Fringe Benefit Tax	-	0.66	-	-	-	-
Adjusted Profit Before Extraordinary Items	637.40	181.22	31.89	29.49	20.07	(41.88)
Add: Extraordinary Items						
- Surplus on OTS with Bank	-	88.85	-	-	-	-
- Profit on Sale of Land	-	67.08	-	-	-	-
- Profit on Sale of Subsidiary	87.92	-	-	-	-	-
Net Profit After Adjustment and Extraordinary Items	725.32	337.15	31.89	29.49	20.07	(41.88)
Balance brought forward	496.23	159.08	127.20	97.71	77.63	119.50
Less: Issue of Bonus Shares	-	-	-	-	-	-
Add: Change in Depreciation accounting	-	-	-	-	-	-
Balance Carried over to Balance Sheet	1,221.55	496.23	159.08	127.20	97.70	77.62



THE ISSUE

Particulars	No. of Equity Shares
Public Issue of Equity Shares by the Company	90,00,000 Equity Shares of Rs. 10 each for cash at a premium of Rs. [●]
Reserved for Employees on a competitive basis	3,00,000 Equity Shares of Rs. 10 each for cash at a premium of Rs. [●]
Therefore the	[●]
Net Issue to Public	87,00,000 Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] (Public Issue Less Reservations)
Of which:	
A) Qualified Institutional Buyers Portion	Up to 43,50,000 Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] constituting up to 50% of the Net Issue. <i>(Allocation on a proportionate basis)</i>
Of which:	
Reservation for Mutual Funds	Up to 2,17,500 Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] <i>(Allocation on a proportionate basis)</i>
B) Non Institutional Portion	At least 13,05,000 Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] constituting at least 15% of the Net Issue <i>(Allocation on a proportionate basis)</i>
C) Retail Portion	At least 30,45,000 Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] constituting at least 35% of the Net Issue <i>(Allocation on a proportionate basis)</i>
Equity Shares outstanding prior to the Issue	2,56,53,140 Equity Shares of Rs. 10 each
Equity Shares outstanding after the Issue	3,46,53,140 Equity Shares of Rs. 10 each
Objects of the Issue	Please see the section entitled “Objects of the Offer” on page no. [●] of this Red Herring Prospectus
Note:	
1. Under-subscription, if any, in the Employees Reservation Portion will be added to the Net Issue to Public	
2. Under subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories including from over subscription at our sole discretion in consultation with the BRLM.	
Allocation to QIB’s is proportionate as per the terms of this Draft Red Herring Prospectus, 5% of the QIB portion shall be available for allocation to mutual funds. Mutual Funds participating in the 5% reservation in the QIB portion will also be eligible for allocation in the remaining QIB portion.	

GENERAL INFORMATION

The Company was originally incorporated as CTV Entertainment Private Limited at Bangalore, Karnataka on July 12, 1989 under the Companies Act, 1956. The Company was converted into a public limited company and renamed as CEE (I) TV Entertainment Limited vide fresh certification of incorporation dated February 4, 2000. Subsequently the name was changed to MidValley Entertainment Limited vide fresh certificate of incorporation dated December 27, 2005. The Company shifted its registered office from Bangalore to Chennai registered vide order of the Asst. Registrar of Companies, Tamil Nadu dated February 7, 2007

Registered Office of the Company

MidValley Entertainment Limited

9th Floor, Gee Gee Emerald
312, ValluvarKottam High Road
Nungambakkam, Chennai – 600 034
Tamil Nadu, India
Tel. No.: +91-44-4238 0055, 4238 0073
Fax No. : +91-44-4238 0065
Website: www.midvalleygroup.com
E-mail: nswamy@midvalleygroup.com

The Registered Office of the Company was originally located at 106, Commerce House, 9/1, Cunningham Road, Bangalore 560 052 and was shifted to 118, First Main Road, R.T. Nagar, M.L.A. Layout, Bangalore, Karnataka - 560 032 w.e.f. October 27, 1999. The company relocated to No.20, 12th Cross, First Main RMV 2nd Stage, Geddalahalli, Sanjaynagar, Bangalore, Karnataka-560 094 w.e.f. August 18, 2003 and moved to the current address w.e.f. November 30, 2006.

Company Identification Number: U85110TN1989PLC062297

Registered with: Registrar of Companies Tamil Nadu I at Chennai

Block No.6, B' Wing
2nd Floor, Shastri Bhawan
26, Haddows Road
Chennai – 600 034
Tel No.: +91-44-2827 7182, 2827 2676
Fax No.: +91-44-2823 4298
E-Mail: rocmad.sb@sb.nic.in
Website: <http://www.rocchennai.tn.nic.in/>

Board of Directors

Board of Directors of the company comprises of following 4 directors:

Name	Designation	Status
Datuk K. Ketheeswaran	Chairman	Executive
Mr. Chandrasegaran	CEO and Director	Executive
Dato Shamsir Bin Omar	Director	Non-Executive and Non-Independent
Mr. Sudhir Kumar Jena	Director	Non-Executive and Independent
Mr. Narayanaswami Ramji	Director	Non-Executive and Independent
Mr. R. Nagarajan	Director	Non-Executive and Independent

Brief details of Chairman, Managing Director and Whole Time Directors of the Company:

1. Datuk Ketheeswaran, Executive Chairman

Datuk K. Ketheeswaran aged 46 years is the Executive Chairman of MidValley Entertainment Ltd. Datuk K. Ketheeswaran is Executive Deputy Chairman of Multi Vest Resources Berhad, a limited liability listed company in Malaysia, incorporated in 1923, Multi Vest Resources Berhad is engaged in the business of cultivation and processing of palm oil and plantation in Malaysia and Indonesia. Datuk K. Ketheeswaran currently holds the following positions:

- Deputy President - Johor Indian Chamber of Commerce and Industry
- Member- ASEAN-India Business Council
- Member - Asian Strategy Leadership Institute (ASLI) Corporate Malaysia Roundtable

2. R. Chandrasegaran, CEO, Director

Mr. R. Chandrasegaran, Chief Executive Officer and Director, aged 48 years, is Graduate and Associate member of Institute of Cooperative Auditors, Malaysia and has done an Advanced Management Development Programme at Asian Institute of Management, Manila. He has more than twenty five years of experience in Auditing, Consulting and Mergers & Acquisitions.



Company Secretary and Compliance Officer:

Mr. S. Narayanaswamy

MidValley Entertainment Limited

9th Floor, Gee Gee Emerald
312, Valluvar Kottam High Road
Nungambakkam, Chennai – 600 034
Tamilnadu, India

Tel: +91-44-4238 0055, 4238 0073

Fax: +91-44-4238 0065

Email: nswamy@midvalleygroup.com

Investors can contact the Compliance officer in case of any Pre-Issue or Post Issue related problems such as non-receipt of letters of allotment of shares in the respective beneficiary account, refund orders etc.

Domestic Legal Advisor to the Issue:

M/s Deltaa Legal Associates

Old No.6 New No. 15, 7th West Cross Street
Shenoy Nagar, Chennai - 600030

Tel: +91-44-2621 2287

Fax: +91-44-5218 3313

Email: pkpanda@deltalegalservice.com

Contact Person: Mr. P.K. Panda

Bankers to the Company:

State Bank of India

Commercial Branch
232, NSC Bose Road
Chennai-600 001

Tel: +91-44-25341316/25342074

Fax: +91-44-25342476

Email: sbicomch@md3.vsnl.com

Contact Person: Mr. M. S. Venkataraman

Punjab National Bank

U-10, 4th Main Road
Annanagar

Chennai-600 040

Tel: +91-44-26213406, 26265890

Fax: +91-44-2626 5890

Book Running Lead Manager:

Religare Securities Limited

SEBI Registration No.: INM000011062

14, Mittal Chambers, Opp. Inox Theatre
Nariman Point, Mumbai 400 021

Tel.: +91-22- 4007 4800;

Fax: +91-22- 4007 4869

Website: www.religare.in

E-mail: midvalley.ipo@religare.in

Contact Person: Mr. Prasanna Chandwaskar

Registrar to the Issue:

Cameo Corporate Services Limited

SEBI Registration No.: INR 000003753

Subramanian Building No.1

Club House Road

Chennai 600 002.

Tel.: +91 44 28460390

Fax.: +91-44-2846 1989

Website: www.cameoindia.com

E-mail: investor@cameoindia.com

Contact Person: Mr. R.D. Ramasamy

IPO Grading Agency

ICRA Limited

2nd floor, Vayudooth Chambers, Trinity Circle
15-16, M. G. Road
Bangalore 560 001.
Tel.: +91-80-2559 4049
Fax: +91-80-2559 4065
Contact Person: Mr. Jayanta Chatterjee

Banker(s) to the Issue:

[•]

Auditors to the Company:

M/s Venkatesh & Co.

Chartered Accountants
Sri Ranaga
151, Mambalam High Road
T Nagar
Chennai - 600 017.
Tel: +91-44-28144763-66
Fax: +91-44-2814
Email: venkateshandco@dataone.in
Contact Person: Mr. V. Dasaraty

Brokers to the Issue

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

Syndicate Members

Religare Securities Limited

SEBI Registration No.: INM000011062
14, Mittal Chambers, Opp. Inox Theatre
Nariman Point, Mumbai 400 021
Tel.: +91-22- 4007 4800;
Fax: +91-22- 4007 4869
Website: www.religare.in
E-mail: midvalley.ipo@religare.in
Contact Person: Mr. Prasanna Chandwaskar

Credit Rating

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

Appraisal of the Project

The project has not been appraised by any Bank or Financial Institution.

Trustees

As the Issue is of Equity shares, the appointment of Trustees is not required.

Monitoring Agency

As the net proceeds of the Issue will be less than Rs. 50000 Lacs, under the SEBI Guidelines it is not required that a monitoring agency be appointed by the Company. However, the company has appointed State Bank of India, Commercial Branch, Chennai as the monitoring agency for monitoring the funds raised thru the current issue.

State Bank of India

Commercial Branch
P.B. No. 1282
232, N.S.C. Bose Road
Chennai 600 001
Tel:+91-44-2534 1316, 2534 2074
Fax. +91-44-2534 1338
Email: sbicomch@md3.vsnl.net

IPO Grading

We have appointed above-mentioned IPO Grading Agency for grading of proposed Initial Public Offering of our Company. This IPO Grading Agency has assigned [•] Grade to the Initial Public Offering of our Company. The following are the rationale/description furnished by IPO Grading Agency for the IPO grades assigned to proposed Initial Public Offering of our Company -

[•]



IPO Grading concept is relatively new and the investors should carefully consider all of the information provided in this Draft Prospectus including IPO Grading information and should make their own judgment prior to making any investment in this Issue. This IPO Grading does not take cognizance of the issue price of our Equity Shares and it is not a recommendation to buy, sell or hold our Equity Shares.

Inter-se allocation of Responsibilities

Religare Securities Limited is the sole Lead Manager to the Issue

Statement of Inter-se Allocation of Responsibilities amongst BRLM(s)

The responsibilities and co-ordination for various activities in this issue will be complied by the BRLMs to the Issue viz., Religare Securities Limited (Religare):

Activity	Responsibility	Co-ordination
Capital structuring with the relative components and formalities.	Religare	Religare
Due diligence of the Company's Operations/ Management/ Business Plans/ Legal Documents, etc.	Religare	Religare
Drafting and Design of the Draft Red Herring Prospectus and of the Statutory Advertisement including memorandum containing salient features of the Draft Red Herring Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, Registrar of Companies and SEBI including finalization of Prospectus and RoC filing.	Religare	Religare
Company positioning and pre-marketing exercise, finalize media and public relation strategy, drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	Religare	Religare
Appointment of various agencies including Registrar to the Issue, Printers, Advertising Agency and Banker to the Issue.	Religare	Religare
Non-institutional and Retail Marketing of the Issue, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> Formulating marketing strategy Preparation of publicity budget Finalize Media and Public Relation strategy Finalizing centers for holding conference for brokers, press, etc. Follow-up on distribution of publicity and issue material including bid cum application form; Red Herring Prospectus and deciding on the quantum of the issue material Finalizing Collection Centers 	Religare	Religare
Domestic Institutional Marketing of the Issue, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> Finalizing the list and division of investors for one-to-one meetings; and Finalizing the road show schedule and the investor meeting schedules. 	Religare	Religare
International Institutional Marketing of the Issue, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> Finalizing the list and division of investors for one-to-one meetings; and Finalizing the road show schedule and the investor meeting schedules. 	Religare	Religare
Pricing, Managing the Book, interacting and coordinating with the Stock Exchanges for book building software, bidding terminals and mock trading	Religare	Religare
Finalization of pricing in consultation with the company	Religare	Religare
Post-bidding activities including management of escrow accounts, co-ordination with Registrar of the Issue and Bankers to the Issue. Co-ordination of non-institutional allocation, intimation of allocation, dispatch of refund orders to Bidder, etc. The post issue activities for the Issue will involve essential follow-up steps, which include finalization of listing of Equity Shares and dispatch of allotment advice and refund orders, with the various agencies connected with the work such as the Registrars to the Issue, Bankers to the Issue and the Bank handling refund business. BRLM shall be responsible for ensuring that these agencies fulfill their functions and discharge this responsibility through suitable agreements with the Company.	Religare	Religare

BOOK BUILDING PROCESS

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

1. The Company
2. Book Running Lead Manager (BRLM), in this case being Religare Securities Limited;
3. Syndicate Members, who are the intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLM;
4. The Registrar to the Issue.

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein (i) not more than 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs). From and out of the QIB portion 5% would be available for allocation to mutual funds registered with SEBI (ii) not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and (iii) not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders whose maximum Bid amount is not more than Rs. 100,000/-, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid Closing Date.

Further, out of the QIB Portion, 5% would be available for allocation to Mutual Funds. In case of inadequate demand from Mutual Funds, the Equity Shares would be made available to QIBs other than mutual funds. Valid bids from Mutual Funds would be eligible for allotment from 5% of the QIB Portion as well as from the balance QIB Portion. The subscription for proportionate allotment to QIBs shall be identified after reducing 5% of the total allocation to QIBs or any lesser amount allotted to Mutual Funds.

In accordance with SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details see section titled “Issue Structure” on page [●] of the Draft Red Herring Prospectus.

The Company shall comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, the Company has appointed Religare Securities Limited as the Lead Manager to manage the Issue and to procure the 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 Rs. 20 to Rs. 24 per share, issue size of 3,000 Equity Shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

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

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

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding (refer to the section “Issue Procedure – Who can Bid” on page [●] of this Draft Red Herring Prospectus);
- Ensure that the bidder has a demat account; and
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.
- Ensure that the Bid cum Application Form is accompanied by the PAN, or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. See page [●] of this Draft Red Herring Prospectus for details.



Withdrawal of the Issue

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

Underwriting Agreements:

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

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

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

Name and Address of the Underwriters	Date of the Agreement	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Lacs)
Religare Securities Limited 14, Mittal Chambers Opp. Inox Theatre Nariman Point Mumbai 400 021	[●]	[●]	[●]
[●]	[●]	[●]	[●]

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [●].

In the opinion of our Board of Directors (based on a certificate given by the Underwriters) and BRLM, the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s).

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

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount Allocation to QIB Bidders is proportionate as per the terms of this Draft Red Herring Prospectus.

CAPITAL STRUCTURE

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

(Rs. in lacs)

	Number of Shares	Description of Shares	Face Value	Aggregate Nominal Value	Aggregate Value at Issue Price
A.	Authorized Capital 40,500,000	Equity Shares	10	4,050.00	
B.	Issued, Subscribed and Paid up Capital before the Issue 25,653,140	Equity Shares, fully paid up.	10	2,565.31	
C.	Present Issue in terms of this Draft Red Herring Prospectus 9,000,000	Equity Shares, fully paid up	10	900.00	[●]
D.	Equity Share Capital after the Issue 34,653,140	Equity Shares, fully paid up	10	3,465.31	[●]
E.	Share Premium Account - Before the Issue - After the Issue in terms of this Draft Red Herring Prospectus				973.16 [●]

The Issue in terms of this Draft Red Herring Prospectus has been authorized pursuant to the resolution passed at the General Meeting of the Company shareholders held on August 9, 2006 at Chennai.

DETAILS OF INCREASE IN AUTHORISED CAPITAL

(Rs in lacs)

Date of Change / General Meeting	Nature of change	Number of Additional Equity Shares	Face Value	Cumulative Authorised Share Capital
July 12, 1989	On Incorporation	500,000	10	50.00
August 25, 1994	Increase	3,500,000	10	400.00
November 2, 1998	Increase	2,000,000	10	600.00
December 27, 1999	Increase	4,500,000	10	1,050.00
December 27, 2001	Increase	6,000,000	10	1,650.00
September 30, 2005	Increase	3,500,000	10	2,000.00
November 9, 2005	Increase	1,500,000	10	2,150.00
May 9, 2006	Increase	19,000,000	10	4,050.00



NOTES TO THE CAPITAL STRUCTURE:

1. Equity Share Capital History of the Company

Rs. in lacs

Date of Allotment/ Fully paid up	No. of Equity Shares	Cumulative No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Additional Paid Up Share Capital	Cumulative Paid Up Share Capital	Share Premium	Cumulative Share Premium	Considera tion	Reasons for Allotment
July 12, 1989	20	20	10	10	0.00	0.00	-	-	Cash	Subscription to the Memorandum of Association
December 11, 1996	3860000	3860020	10	10	386.00	386.00	-	-	Cash	Augmentation of fund
March 29, 1999	639980	4500000	10	10	64.00	450.00	-	-	Cash	Augmentation of fund
April 24, 1999	490000	4990000	10	10	49.00	499.00	-	-	Cash	Augmentation of fund
January 24, 2000	1768200	6758200	10	20	176.82	675.82	176.82	176.82	Cash	Augmentation of fund
March 23, 2000	631800	7390000	10	20	63.18	739.00	63.18	240.00	Cash	Augmentation of fund
December 28, 2001	2460000	9850000	10	15	246.00	985.00	123.00	363.00	Cash	Augmentation of fund
June 5, 2002	1900000	11750000	10	15	190.00	1,175.00	95.00	458.00	Cash	Augmentation of fund
March 25, 2005	1992666	13742666	10	15	199.27	1,374.27	99.63	557.63	Cash	Augmentation of fund
November 5, 2005	5500567	19243233	10	15	550.06	1,924.32	275.03	832.66	Cash	Augmentation of fund
November 9, 2005	1445921	20689154	10	15	144.59	2,068.92	72.30	904.96	Cash	Augmentation of fund
January 5, 2006	336263	21025417	10	15	33.63	2,102.54	16.81	921.77	Cash	Augmentation of fund
May 9, 2006	710892	21736309	10	15	71.09	2,173.63	35.54	957.32	Cash	Augmentation of fund
July 3, 2006	316831	22053140	10	15	31.68	2,205.31	15.84	973.16	Cash	Augmentation of fund
November 27, 2006	1800000	23853140	10	10	180.00	2,385.31	-	973.16	Cash	Augmentation of fund
December 27, 2006	1800000	25653140	10	10	180.00	2,565.31	-	973.16	Cash	Augmentation of fund

2. Promoters Contribution and Lock in

Pursuant to the SEBI Guidelines, an aggregate of 20% of the fully diluted post-Issue capital of the Company held by the Promoters shall be locked in for a period of three years from the date of Allotment in the Issue. The details of such lock-in are given below:

Name of the Promoter	Date of Acquisition / Transfer	Nature of payment / Consideration	No. of Equity Shares of Rs.10 each	Issue / Acquisition Price (Rs.)	% of Post Issue Paid – Up Capital	Mode of Acquisition / Transfer	Lock-in Period (Years)
Unigold Pacific Ltd	06.07.2006	Transfer	(1,185,518)	--	(3.42)	Transfer	NA
	05.07.2006	Transfer	1,185,518	--	3.42	Transfer	1
	05.06.2006	Cash	133,333	15.00	0.38	Acquired from Metro Films Private Ltd	3
	17.05.2006	Cash	648,000	15.00	1.87	Acquired from Metro Films Private Ltd	3
	15.05.2006	Cash	100,000	15.00	0.29	Transferred from Kiara Enigma Sdn Bhd	3
	09.05.2006	Cash	710,892	15.00	2.05	Subscribed to further Issue of Capital.	3
	05.01.2006	Cash	220,166	15.00	0.64	Subscribed to further Issue of Capital.	3
	05.11.2005	Cash	1,865,049	15.00	5.38	Subscribed to further Issue of Capital.	3
	05.11.2005	Cash	1,185,518	15.00	3.42	Subscribed to further Issue of Capital.	NA
Total			4,862,958		14.03		
Kiara Enigma Sdn Bhd	17.05.2006	Cash	712,000	15.00	2.05	Acquired from Metro Films Private Ltd	3
	15.05.2006	Cash	(100,000)	15.00	NA	Transferred to Unigold Pacific Ltd	NA
	18.03.2006	Cash	100,000	15.00	NA	Acquired from Metro Films Private Ltd	NA
	05.11.2005	Cash	1,500,000	15.00	4.33	Subscribed to further Issue of Capital.	3
Total			2,212,000		6.38		

Name of the Promoter	Date of Acquisition / Transfer	Nature of payment / Consideration	No. of Equity Shares of Rs.10 each	Issue / Acquisition Price (Rs.)	% of Post Issue Paid – Up Capital	Mode of Acquisition / Transfer	Lock-in Period (Years)
Global Motion Pictures & Ventures Pte. Ltd	27.12.2006	Cash	1,100,000	10.00	3.17	Subscribed to further Issue of Capital.	1
	27.11.2006	Cash	1,800,000	10.00	5.19	Subscribed to further Issue of Capital.	1
	03.07.2006	Cash	316,831	15.00	0.91	Subscribed to further Issue of Capital.	1
	09.11.2005	Cash	1,445,921	15.00	4.17	Subscribed to further Issue of Capital.	3
	05.11.2005	Cash	950,000	15.00	2.74	Subscribed to further Issue of Capital.	1
Total			5,612,752		16.20		

The Promoters has vide letters dated June 15, 2007 consented for lock in as stated above. Shares issued last shall be locked in first. The Equity Shares of the Promoter will be locked-in for the period specified above from the date of allotment of Equity Shares in this Issue. The Equity Shares proposed to be included as part of Promoters' contribution have been issued by us more than a year prior to the filing of the Draft Red Herring Prospectus with SEBI and are not ineligible in terms of clause 4.6.2 of the SEBI DIP Guidelines for computation of Promoters' contribution.

In terms of Clause 4.14.1 of the SEBI Guidelines, in addition to 20% of the post-Issue shareholding of the Company held by the Promoter and locked in for three years as specified above, the entire pre-Issue share capital of the Company will be locked in for a period of one year from the date of Allotment in this Issue.

In terms of Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock in the hands of the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable. Further, in terms of Clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and among the Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

Locked-in Equity Shares held by the Promoter can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

3. Shareholding pattern of the Company

Sr. No.	Category	Pre-Issue			Post-Issue	
		No of shareholders	No. of Shares	% of holding	No. of Shares	% of holding
A.	Shareholding of Promoter					
1	Indian Promoters:					
a	Individuals, Hindu Undivided Family	0	0	0.000%	0	0.000%
b	Bodies Corporate	0	0	0.000%	0	0.000%
2	Foreign Promoters:					
a	Individuals, Hindu Undivided Family		0	0.000%	0	0.000%
b	Bodies Corporate					
	Promoters	3	12,687,710	49.459%	12,687,710	36.613%
	Promoter Group	1	116,097	0.453%	116,097	0.335%
	Total shareholding of Promoter and Promoter Group (A)	4	12803807	49.911%	12803807	36.948%
B.	Public Shareholding:					
1	Institutions:					



a	Mutual Funds / UTI	0	0	0.000%	[•]	[•]
b	Financial Institutions and Banks	0	0	0.000%	[•]	[•]
c	FII's	1	300,000	1.169%	[•]	[•]
2	Non-Institutions:					
a	Bodies Corporate	23	10,991,813	42.848%	[•]	[•]
b	Individuals / Hindu Undivided Family	101	1,557,520	6.071%	[•]	[•]
3	Any Others:					
a	NRIs/ OCBs	-	0	0.000%	[•]	[•]
b	Trusts	-	0	0.000%	[•]	[•]
c	Foreign Nationals	-	0	0.000%	[•]	[•]
	Total Public shareholding (B)	125	12849333	50.089%	21,849,333	63.052%
	Grand Total (A + B)	129	25,653,140	100.000%	34,653,140	100.000%

4. Equity Shares held by top ten shareholders

a. On July 6, 2007 being the date of filing the Draft Red Herring Prospectus with SEBI

Sr. No	Name of the Shareholder	Number of Shares	% of holding
1	Global Motion Pictures & Ventures Pte Ltd	5,612,752	21.88
2	Unigold Pacific Ltd	4,862,958	18.96
3	Metro Film Pvt Ltd	2,722,812	10.61
4	Image Eventures Ltd	2,355,000	9.18
5	Kiara Enigma Sdn Bhd	2,212,000	8.62
6	Film Bond Ltd	758,666	2.96
7	Sreeve Securities Pvt Ltd	682,000	2.66
8	Shrivee Capital Consultants Ltd	677,000	2.64
9	Subhkam Monetary Services P Ltd	540,000	2.11
10	Baalakh Holdings Pvt Ltd	450,000	1.75

b. On June 30, 2007 being ten days prior to the date of filing the Draft Red Herring Prospectus with SEBI:

Sr. No	Name of the Shareholder	Number of Shares	% of holding
1	Global Motion Pictures & Ventures Pte Ltd	5,612,752	21.88
2	Unigold Pacific Ltd	4,862,958	18.96
3	Metro Film Pvt Ltd	2,722,812	10.61
4	Image Eventures Ltd	2,355,000	9.18
5	Kiara Enigma Sdn Bhd	2,212,000	8.62
6	Film Bond Ltd	758,666	2.96
7	Sreeve Securities Pvt Ltd	682,000	2.66
8	Shrivee Capital Consultants Ltd	677,000	2.64
9	Subhkam Monetary Services P Ltd	540,000	2.11
10	Baalakh Holdings Pvt Ltd	450,000	1.75

c. On June 30, 2005 being two years prior to the date of filing the Draft Red Herring Prospectus with SEBI:

Sr. No	Name of the Shareholder	Number of Shares	% of holding
1	Mars Productions Pvt Ltd	3,394,514	24.70
2	Image Eventures Pvt Ltd	2,355,000	17.14
3	Metro Film Pvt Ltd	1,354,466	9.86
4	Sreeve Securities Private Limited	782,000	5.69
5	Film Bond Ltd	758,666	5.52
6	Shrivee Capital Consultants Ltd	677,000	4.93
7	Subhkam Monetary Services P Ltd	540,000	3.93
8	Baalakh Holdings Pvt Ltd	450,000	3.27
9	Shree Pathee Investments Pvt Ltd.	370,000	2.69
10	Amritraj Soloman Communications P Ltd.	360,000	2.62

- As of the date of this Draft Red Herring Prospectus, none of our Directors or key managerial personnel or the directors of our Promoter holds Equity Shares in the Company.
- There has been no equity shares sold or purchased by the Promoters, the Promoter Group and the directors of the promoters during the period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.

7. We have issued Equity Shares in last twelve months, before the date of the Draft Red Herring Prospectus and the price of such issuances may be lower than the Issue Price. The details are as given below:

Name of the Allottee	Date of Allotment	Number of Equity Shares of Rs.10/- each	Issue Price	Nature of Payment / Consideration	Nature of the Issue	Whether belonging to the Promoter and Promoter Group
Global Motion Pictures & Ventures Pte Ltd	27.12.2006	1,100,000	10.00	Cash	Further Issue of Capital	Yes
Zeet Vinimay Private Ltd	27.12.2006	200,000	10.00	Cash	Further Issue of Capital	No
Keerthi Logistics Private Ltd	27.12.2006	250,000	10.00	Cash	Further Issue of Capital	No
Datamine Solutions Pvt Ltd	27.12.2006	250,000	10.00	Cash	Further Issue of Capital	No
Global Motion Pictures & Ventures Pte Ltd	27.11.2006	1,800,000	10.00	Cash	Further Issue of Capital	Yes
Global Motion Pictures & Ventures Pte Ltd	03.07.2006	316,831	15.00	Cash	Further Issue of Capital	Yes

8. Neither the Company nor Directors or Promoters, their respective directors or the BRLM have entered into any buyback and/or standby arrangements for the purchase of the Equity Shares from any person.
9. We have not raised any bridge loan against the proceeds of the Issue.
10. The Equity Shares offered through the Issue will be fully paid up.
11. In the Issue, in case of over-subscription in all categories, upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs out of which up to 5% of the QIB portion shall be available for allocation on a proportionate basis to Mutual Funds and the balance of the QIB portion to QIBs including Mutual Funds, a minimum of 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a minimum of 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM.
12. Oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalising the basis of Allotment.
13. An investor cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
14. There are no outstanding financial instruments or any other right that may entitle any person to receive any Equity Shares in the Company.
15. Refer to our financial statements relating to related party transactions in the section titled "Related Party Transactions" beginning on page [●] of this Draft Red Herring Prospectus.
16. Except as disclosed in this Draft Red Herring Prospectus, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
17. The Company presently do not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise, or if we enter in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition and/or participation in such joint ventures.
18. There will be only one denomination of the Equity Shares of the Company unless otherwise permitted by law and the Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.



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19. There are restrictive covenants in the agreements that we have entered into with certain banks for short-term loans and long-term borrowings. These restrictive covenants in many cases provides for borrowers covenants which are restrictive in nature and require us to obtain their prior permission for alteration of the capital structure, change in beneficial ownership of or control of the Company, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key personnel, change in the constitutional documents etc. Further, in many cases lenders have right to appoint a nominee director on the Board of Directors of the Company upon an event of default. Also, there are restrictive covenants regarding declaration and payment of dividend in cases of any subsisting default or out of accumulated reserves.
20. The company has 129members as on July 6, 2007.

OBJECTS OF THE ISSUE

Our Company is engaged in production, distribution and exhibition of films. We intend to focus on our exhibition business and intend to extend it to the whole of south India enabling a pleasant screening experience for our viewers. Our company has decided to consolidate its position in the production of films and also emerge as a leading screener for movies thus having presence from script to screen. The Issue is being made to raise funds for the following purposes.

The objects of the Issue are:

- a) Production of three south Indian movies
- b) Distribution of south Indian, Bollywood and Hollywood movies
- c) Acquisition of cinema theatres on lease and up gradation of cinema halls with digital equipments and other assets.
- d) General corporate purposes
- e) Get our company's shares listed on BSE and NSE and to meet expenses of the issue

The proceeds from the Issue after deducting the Issue related expenses are referred to as "Net Proceeds from the Issue".

We believe that listing will enhance our brand name, provide liquidity to our existing shareholders and create a public market for our Equity Shares in India.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum enable us to undertake our existing activities and the activities for which funds are being raised by us through the Issue.

The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The fund requirement below is based on our current business plan. In view of the dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our fund requirement and consequent utilisation of proceeds from the Issue may also change. In case of any variations in the actual utilisation of funds earmarked for the above activities, any increased fund deployment for a particular activity will be met from our internal accruals.

Fund Requirements

			<i>Rs. in lacs</i>
Sr. No.	Cost of Project	Amount	Amount
A	Production of 3 movies		1,171.56
	-Movie 1: Seena Thana 001	361.86	
	- Movie 2: Aranganallur Kalai	425.00	
	- Movie 3: Uthama Puthiran	384.70	
B	Distribution of south Indian, Bollywood and Hollywood movies		500.00
C	Exhibition		4,777.29
	- Lease advance for theatre acquisition	833.00	
	- Renovation and up gradation of theatre	875.00	
	- Theatre Miscellaneous fixed assets	91.23	
	- Digital Projector	2,111.25	
	- Digital Sound System	866.81	
D	IPO expenses		[●]
E	General corporate purpose		[●]
	Total		[●]

Means of finance

			<i>Rs. in lacs</i>
Sr. No.	Means of finance	Amount	
A	Term Loan	1,400.00	
B	Internal Accruals	[●]	
C	Proceeds of IPO	[●]	
	Total	[●]	

MidValley has received a sanction letter dated June 6, 2007 from State Bank of India for Rs. 1400 lacs. The company has accepted the same vide its letter dated June 19, 2007 and the requisite loan agreements are being entered into.

The working capital requirement for the above project would be met out of internal accruals.

Funds required and deployed to meet Objects of the Issue

The total funds required and funds already deployed to meet Objects of the Issue are as follows:



Rs. in lacs

Sr. No.	Proposed Head of Expenditure	Total Estimated Project Cost	Already spent up to May 31, 2007	May 1, 2007 to April 30, 2008	May 1, 2008 to April 30, 2009
1	Production of movies	1,171.56	198.38	574.36	398.82
2	Distribution of movies	500.00	-	500.00	-
3	Exhibition	4,777.29	-	3,856.84	920.45
4	IPO Expense	[●]	57.70	[●]	[●]
5	General Corporate Purpose	[●]	[●]	[●]	[●]
	Total	[●]	[●]	[●]	[●]

Details of Use of Proceeds and Schedule of Implementation

A.) Production of 3 movie (Rs. 1171.56 Lacs)

The total cost for producing three films for which funds are proposed to be raised through the project is estimated as follows:

Particulars	Movie 1 - Seena Thana 001	Movie 2 - Aranganallur Kalai	Movie 3 - Uthama Puthiran	Total
Casting expenses	39.70	122.50	103.00	265.20
Crew expenses	36.05	67.50	49.40	152.95
Shooting expenses	165.25	125.00	106.00	396.25
Post production expenses	120.86	110.00	126.30	357.16
Total	361.86	425.00	384.70	1,171.56

The estimated costs of the films identified above are not fixed and may undergo a change depending upon the treatment that is given to the screenplay.

B.) Distribution Business

MidValley wants to converge the screening and distribution business thus gaining a stronger presence and ability to acquire distribution rights at the right price and right time. The synergies with the exhibition chain would lead to savings in cost and elimination of the middle man thus enhancing savings and profitability. MidValley expects a requirement of Rs. 500 lacs towards circulation money for acquiring the rights as rolling investment in Movie Distribution business. We will invest primarily to acquire movie distribution rights from various domestic and international movie producers. The projects for investment will be identified from time to time on an on-going basis.

C.) Exhibition Business

MidValley entered into film exhibition business in the year 2006 and has as on June 30, 2007 69 theatres running under its banner. The company has screening rights to these theatres in Andhra Pradesh and Tamil Nadu. Further MidValley intends to add another 250 theatres by April 2009. These theatres will be provided with modern technologies like digital screen projectors and DTS sound system. Further the theatres will have an advanced ticketing system to check pilferage of revenue at gate collection stage.

MidValley intends to be a 300 strong theatres chain by April 2009. The company would continue to focus on B and C class cities and focus on infrastructure improvement of the existing theatres along with the use of latest projector and sound technology so as to bring the latest advancements in technology to these cities and tap the untapped entertainment potential of semi-urban and rural India. The Company will upgrade the theatres to bring about a dramatic change in the viewing experience. The project aims at establishing a chain of theatres offering an improved movie watching experience for the customer by providing him with a clean environment, better facilities at the theatre in addition to an improved audio-visual presentation. This model will also make producers look at MidValley as a single platform through which they can exhibit their movies across various locations from a single source.

- **Lease advance for theatre acquisition**

MidValley intends to be a 300 screen strong chain by April 2009 and it intends to have 140 theatres in Hyderabad territory (includes areas in Andhra Pradesh, Karnataka and Maharashtra) and 160 theatres in Tamil Nadu. The company has existing 34 theatres in Hyderabad territory and has 35 theatres in Tamil Nadu territory. The estimated lease advance payable for the acquisition of 250 theatres would be Rs. 833.00 lacs. The leases would ideally be for a period of 5 years, however the company would have the option of taking theatres for shorter lease period.

- **Renovation and up gradation of theatres**

MidValley would renovate without any structural changes 250 theatres acquired on lease and intends to be a 300 screen strong chain by April 2009 and it intends to have 140 theatres in Hyderabad territory (includes areas in Andhra Pradesh, Karnataka and Maharashtra) and 160 theatres in Tamil Nadu. The company has existing 34 theatres in Hyderabad territory and has 35 theatres in Tamil Nadu territory. The estimated up gradation expense for 250 theatres would be Rs. 1000.00 lacs.

The Company will upgrade the theatres to bring about a dramatic change in the viewing experience for the customer by providing him with a clean environment, better facilities. The non-structural expense would be lead to better ambience and experience to the viewers and would lead to a slight premium pricing in semi urban areas.

- **Digital projector, DTS and theatre miscellaneous fixed assets**

MidValley would invest in the digital projector technology and intends to replace the existing projectors which are having old technology and would not support digital cinema format. The company would acquire 150 DLP projectors and install them at the theatres acquired on lease.

Sr. No.	Description	Qty	Total Unit Cost	Total Cost (Rs. in lacs)	Name of Supplier	Date of Quotation
1	Ray Photon - 3 Chip DLP Projector	150	1,013,400	1,520.10	Real Image Media Technologies Pvt. Ltd., Balajinagar, Chennai	20-Jun-07
2	QCP - Qube XP-E Digital Cinema Server	150	394,100	591.15	Real Image Media Technologies Pvt. Ltd., Balajinagar, Chennai	20-Jun-07
3	D. T. S. 6 Channel Digital Sound System (3 way active)	100	866,813	866.81	G M Audio Technics, Woods Road, Chennai	18-Jun-07
4	U.P.S. (4 hour backup)	150	34,320	51.48	Annapurna Power Kontroles, Mahalingapuram, Chennai	11-May-07
5	Air Conditioner (1.0 ton split)	150	26,500	39.75	Air-O-Matic Systems, Adyar, Chennai	23-May-07
	Total			3,069.29		

D.) IPO expenses

The expenses for this Issue include underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, fees to various advisors, statutory advertisement expenses and listing fees payable to the Stock Exchanges, among others. The estimated Issue expenses are as under:

(Rs. in lacs)

Activity	Estimated Amount	% of Total Expenses	% of Total Issue Size*
Lead Management Fees	[•]	[•]	[•]
Underwriting Commission	[•]	[•]	[•]
Selling Commission	[•]	[•]	[•]
Advertisement and Marketing expenses	[•]	[•]	[•]
Printing and Stationery	[•]	[•]	[•]
Registrar to the Issue	[•]	[•]	[•]
Others (legal fee, listing fee, etc)	[•]	[•]	[•]
Total Estimated Issue expenses	[•]	[•]	[•]

*will be incorporated after finalisation of Issue Price

E.) General corporate purpose

The Company intends to raise funds for general corporate purposes. It is also a key component of MidValley strategy to grow through acquisitions and strategic partnerships. These initiatives will be governed by long term-goals and other business objectives. Accordingly, MidValley intends to use a part of the proceeds received from the Issue for strategic investments and acquisitions apart from general corporate purposes. We may also spend a portion of the proceeds of the Issue on expansion of our business instead of financing acquisitions or joint ventures with strategic partners. MidValley has in the past, grown its business and operations through both organic and inorganic routes. Going forward, we believe that strategic investments and acquisitions may act as an enabler to growing business and consolidate its position in the exhibition business in southern India and establish itself as a premium screener in the region. While this would be a component of our strategy, presently we do not have any legally binding commitments to enter into any such arrangements. MidValley may also pre-pay its other borrowings or use the above money for other business purposes including expansion



of operations at any of the existing plants. The Company intends to enhance its position as a leading player in the exhibition industry in India. Accordingly, the management will have significant flexibility in applying the proceeds received from the Issue.

Funds deployed and source of financing

The total amount spent towards the Objects of the issue up to May 31, 2007 certified by M/s Venkatesh & Co., Chartered Accountants; vide their certificate date June 4, 2007 is Rs. 256.08 lacs. The details of funds, already deployed are as under:

Rs. In lacs

Sr. No.	Description	Amount Already Incurred
1.	Issue Expenses	57.70
2.	Movie - Seena Thana 001	198.38
	Total	256.08

The Issue expenses and cost of production of movie has been funded through internal accruals of the Company.

Interim Use of Funds:

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the net proceeds received by the company from the Issue. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds and deposit with banks for necessary duration or reducing the working capital / term borrowings from banks and financial institutions.

No part of the Issue proceeds will be paid by the Company as consideration to MidValley's Promoters, Directors, key management personnel or companies promoted by MidValley's promoters except in the course of normal business.

Monitoring of Utilisation of Funds:

As the net proceeds of the Issue will be less than Rs. 50000 Lacs, under the SEBI Guidelines it is not required that a monitoring agency be appointed by the Company. However, the company has appointed State Bank of India, Commercial Branch, Chennai as the monitoring agency for monitoring the funds raised thru the current issue.

The company undertakes to disclose the utilisation of proceeds in its financial statements. We will disclose the utilization of proceeds under a separate head in our Company's balance sheet for fiscal 2008 and 2009 clearly specifying the purpose for which such proceeds have been utilized. We, in our balance sheet for fiscal 2008 and 2009, provide details, if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the issue.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association of the Company, the terms of this Draft Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles of Association and shall rank *pari passu* in all respects with the other existing shares of the Company including in respect of the rights to receive dividends. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of allotment.

Mode of payment of dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

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

For a detailed description of the main provisions of the Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/ splitting, refer to the section on “Main Provisions of the Articles of Association” on page [●] in this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of 1 Equity Share subject to a minimum Allotment of [●] Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office our company or at the registrar and transfer agent of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the equity shares; or
- to make such allotment of the equity shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to allot the equity shares, and if the notice is not complied with within a period of ninety days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.



Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with respective DP of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Application by Eligible NRIs / FIIs registered with SEBI and FCVIs registered with SEBI

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs registered with SEBI or FCVIs registered with SEBI. Such Eligible NRIs, FII registered with SEBI or FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation. As per RBI regulations, OCBs cannot participate in the Issue.

Jurisdiction

Exclusive jurisdiction for purposes of this Issue is with the competent courts in Chennai, in the state of Tamil Nadu.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters, if any, within 60 days from the date of closure of the issue, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), the company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

If at least 50% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded.

Further, in accordance with clause 2.2.2 of SEBI (DIP) Guidelines, 2000 if the final allotment to QIBs works out to less than 50%, the entire subscription money/ bid amount shall be refunded.

Further, in accordance with clause 2.2.2A of SEBI (DIP) Guidelines, 2000, we shall ensure that the number of allottee, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000.

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

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 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

There are no restrictions on transfers and transmissions of share and on their consolidation / splitting except as provided in our Articles of Association. For details see the section titled “Main Provisions of our Articles of Association” beginning on page [●] of this Draft Red Herring Prospectus.

Withdrawal of the Issue

Our Company in consultation with the Book Running Lead manager, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefore.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within two working days from the date of the finalization of basis of allocation. Applicants residing at 15 centers where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder’s sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closer of Issue.

Interest in Case of Delay in Dispatch of Allotment Letters/Refund orders.

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

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/ Issue Closing Date;
- Dispatch of refund orders, except for Bidders who have opted to receive refunds through the ECS facility, within 15 (fifteen) working days of the Bid /Issue Closing Date would be ensured; and
- We shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Bid/Issue Programme

Bid/Issue Opens On	[•]
Bid/Issue Closes On	[•]

Bids and any revision in Bids shall be accepted only between 10 a.m. and 5 p.m. (Indian Standard Time) and on the Bid/Issue Closing Date, Bids or revisions of Bids shall be accepted only between 10 a.m. and 1 p.m. during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form and uploaded till such time as permitted by the NSE and the BSE on Bid/Issue Closing Date.

Our Company in consultation with the BRLMs reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band advertised at least one day prior to the Bid/Issue Opening Date.

In case of revision in the Price Band, The Bidding/Issue Period will be extended for three additional working days after revision of price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding / Issue Period, if applicable, will be widely disseminated by notification to the NSE and BSE, by issuing a press release, and also by indicating a change on the web site of the Book Running Lead Managers and at the terminals of the Syndicate.



BASIS FOR ISSUE PRICE

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

Quantitative factors

1. Adjusted Earnings Per Share (EPS) on Standalone basis

Financial Year / Period	Profit After Tax before Extraordinary Items (Rs. in lacs)	Weighted Average No. of Equity Shares	EPS (Rs.)	Weight
April 1, 2003 to March 31, 2004	29.49	11750000	0.25	1
April 1, 2004 to March 31, 2005	31.89	11916056	0.27	2
April 1, 2005 to April 30, 2006	181.22	17052203	1.98	3
May 1, 2006 to January 31, 2007	637.40	22982733	3.16	-
Weighted Average			1.12	

* Not Annualised

Note:

The Earning Per share has been computed on the basis of the adjusted profits and losses of the respective years. The denominator considered for the purpose of calculating earnings per share is the weighted average number of Equity Shares outstanding during the year.

2. Price /Earnings* Ratio in relation to Issue price of Rs. [•] is [•]

- Based on Earnings for the past financial period ended April 30, 2006 of Rs. 1.98 per share
- Based on weighted Average EPS of Rs. 1.12 per share

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

3. Weighted Average Return on Net worth

Financial Year / Period	Profit After Tax before Extraordinary Items (Rs. in lacs)	Net worth (Rs. in lacs)	RONW (%)	Weight
April 1, 2003 to March 31, 2004	29.49	1,729.23	1.71%	1
April 1, 2004 to March 31, 2005	31.89	2,067.71	1.54%	2
April 1, 2005 to April 30, 2006	181.22	3,482.56	5.20%	3
May 1, 2006 to January 31, 2007	637.40	4,712.08	13.53%	-
Weighted Average			3.40%	

4. Minimum Return on total Net worth post Issue to maintain Pre Issue EPS is [•]

5. Net Asset Value per share (NAV) Pre Issue

Particulars	Net worth (Rs. in lacs)	Closing No. of Shares	NAV (Rs.)
As on March 31, 2004	1,729.23	11750000	14.72
As on March 31, 2005	2,067.71	13742666	15.05
As on April 30, 2006	3,482.56	21025417	16.56
Pre Issue as on January 31, 2007	4,712.08	25653140	18.37
Post-Issue	[•]	34653140	[•]
Issue price Rs.	-	-	[•]

Net Asset Value Per Share = Equity Share Capital plus Reserves & Surplus less Miscellaneous Expenditure to the extent not written off /No. of Equity Shares

6. Comparison with Industry Peers

Company	Period Ended	NAV Per Share	RONW (%)	EPS	PE Ratio
MidValley Entertainment Limited	30-Apr-06	16.56	5.20%	1.06	[●]
Peer Group*:					
G.V. Films Limited	31-Mar-07	13.2	3.83%	0.5	15.8
Mukta Arts Limited	31-Mar-07	52.5	12.04%	6.3	15.7
Pyramid Saimira Theatres Limited	31-Mar-07	16.2	34.66%	5.6	60.4
Adlabs Films Limited	31-Mar-07	99.7	16.91%	16.9	30.6
Balaji Telefilms Limited	31-Mar-07	46.7	26.18%	12.2	18.0
Shringar Cinemas Limited	31-Mar-07	17.3	17.99%	3.1	19.3
PVR Limited	31-Mar-07	78.4	5.85%	4.6	47.9
UTV Software Limited	31-Mar-07	75.3	25.94%	19.5	24.4

(*) Based on "Capital Market" Vol. XXII/08 dated June 18 - July 01, 2007 for Entertainment Industry. Financial ratios given in the table above is as per date provided as per the source document and does not reflect the position as on the date of this Draft Red Herring Prospectus.

7. The face value of Equity Shares of the Company is Rs. 10 and the Issue price is [●] time of the face value.

The Issue price of Rs. [●] is determined by the Company in consultation with the BRLM and is justified in view of the foregoing qualitative and quantitative parameters.

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



STATEMENT OF TAX BENEFITS

The Board of Directors
Mid Valley Entertainment Limited

Dear Sirs,

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

A shareholder is advised to consider in his/her/its own case, the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

Place: Chennai
Date: June 4, 2007

**For Venkatesh & Co.,
Chartered Accountants**

V. Dasaraty
Partner
Membership No. 26336

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

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

1. Subject to the compliance of certain conditions laid down in section 32 of the Income Tax Act, 1961 (herein after referred to as “the Act”) the Company will be entitled to a deduction for depreciation.
 - a) In respect of tangible Assets
 - Cinematograph films – Bulbs of studio lights - 100%
 - Office Building – 10%
 - Furniture & fittings (Including Electrical Fittings) – 10%
 - Plant & Machinery – 15%
 - Motor Cars (other than for hire) – 15%
 - b) In respect of intangible assets being in nature of Know-how, Patents, Copyrights, trademarks, licenses, Franchises or any other business or commercial rights of similar nature acquired on or after the 1st day of April, 1998 at the rates prescribed under the Income Tax rules, 1962.
 - All intangible assets – 25%
2. Under section 35D of the Act a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue, for public subscription of shares in or debentures of the company, being underwriting commission, brokerage and charges for Drafting, typing, printing and advertisement of prospectus.
3. Capital gains arising on transfer of Long-term capital assets, being equity shares in a company or units of equity oriented mutual fund on sale on which securities transaction tax is paid, is exempt under section 10(38) of the Income Tax Act whereas short-term capital gains is subject to a concessional rate of tax under Section 111A of the Income Tax Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

If the shares or units on which securities transaction tax has been paid are treated as Stock-in-trade liable to tax as business profits, rebate can be claimed from the income tax payable in accordance with provisions of Section 88E of the Income Tax Act towards such securities transaction tax.

4. Under Section 115JAA (1A) of the Act tax credit shall be allowed of any tax paid (Minimum Alternative Tax) under section 115JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit in respect of taxes so paid for such assessment year shall be allowed on the difference of the tax paid under section 115JB and the amount of tax payable by the company on its total income computed in accordance with the other provisions of the Act. Such MAT credit shall not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose.

(A2) BENEFITS TO THE RESIDENT MEMBERS OF THE COMPANY UNDER THE INCOME TAX ACT, 1961

5. By virtue of Section 10 (34) of the income earned by way of dividend income from domestic company referred to in section 115 O of the Act are exempt in the hands of the Shareholders.
6. In terms of section 10 (38) of the Act, any long term capital gains arising to a share holder from transfer of long term capital asset being an equity share in a company would not be liable to tax in the hands of the share holder if the following conditions are satisfied:
 - a) The transaction of sale of such equity share is entered into in a recognized stock exchange in India.
 - b) The transaction is chargeable to such securities transaction tax as explained below.
7. In terms of security Transaction tax as enacted under chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the share holder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a Company through the recognized stock exchange is liable to securities transaction tax at the rate of 0.075% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @0.015% of the value payable by the seller. Effective from June 1, 2005 the securities transaction tax on any delivery based purchase and sale of equity share in a company through the recognized stock exchange will be increased to 0.1% of the value payable by both buyer and seller. Effective from June 1, 2005 the securities transaction tax rate on non-delivery based sale transactions will be increased to 0.02% of the value payable by the seller.



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8. In terms of section 88E of the Act, the Securities transaction tax paid by the shareholders in respect of the taxable securities transactions entered in to in the course of his business would be eligible for the rebate
 9. Under section 48 of the Act, if the company's shares are sold after being held for more than twelve months, the gains (in cases not cover under section 10(38) of the Act), if any, will be treated as long term Capital gain and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
 10. Under section 54EC of the Act and subject to the considerations and to the extend specified therein, long term capital gains (incase not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested with in a period of six months after the date of such transfer for a period of at least three years in bonds specified in that section.

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

11. Under section 54ED of the Act and subject to the considerations and to the extend specified therein, long term capital gains (incase not covered under section 10(38) of the Act) arising on the transfer of shares of the Company, as and when it is listed it will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of an eligible public issue, with in a period of six months after the date of such transfer and held for a period of at least one year. Eligible Public issue means issue of equity shares which satisfies the following conditions, namely –
 - a) the issue is made by public company formed and registered in India;
 - b) the shares forming part of the issue are offered for subscription to the public.
12. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
13. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e., if shares are held for a period exceeding 12 months), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and Education cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharges and Education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
14. Under Section 111A of the Act and other relevant provisions of the Act, Short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the company on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge and Education cess)

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

Apart form benefits as mentioned in points 4,5,6,7,10,11 and 12

15. Under Section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:-
 - a) Under Section 115E of the Act, where shares in the Company are acquired or subscribed for in Convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionaly taxed at the flat rate of 10% (plus applicable surcharge and Education cess) (without indexation benefit but with protection against foreign exchange fluctuation).
 - b) Under provisions of Section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian form the transfer of shares of the company subscribed to in convertible foreign exchange (in case not covered under section 115E of the Act) shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years form the date of their acquisition.

- c) As per 115G of the Income tax Act, a NRI would not be required to file a return of income under section 139(1) of the Income Tax Act, where the total income consists only of investment income and/or long-term capital gains and tax deductible at source has been deducted from such income as per provisions of Chapter XVIIIB of the Income Tax Act.
- d) As per the provision of Section 115I of Income Tax Act, a NRI may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for the assessment year under section 139 of the Income Tax 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 provisions of the Income Tax Act.

Foreign Institutional Investors (FIIs)

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

- 16. the income by way of short term capital gain or long term capital gains (not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.
 - a) Short term capital gains – 30% / 10% (plus applicable surcharge and Education cess)
 - b) Long term capital gains –10% (plus applicable surcharge and Education cess)(Shares held in the company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

(A3) Under the Wealth Tax Act, 1957

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

(A4) Under the Gift Tax Act, 1958

- 18. Gifts made after 1st October 1998 is not liable for gift tax and hence gift of shares of company would not be liable to any Gift Tax.

Notes:

- 1. All the above benefits are as per the current tax laws.
- 2. The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders.
- 3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
- 4. In view of the nature of Tax consequences each investor is advised to consult his / her own tax advisor with respect to specific tax consequence of his / her participation in the scheme.



SECTION IV: ABOUT US

INDUSTRY OVERVIEW

Industry data used throughout this Section has been obtained from industry sources including the following publications:

- *The Indian Entertainment and Media Industry Unraveling the potential, FICCI Price Waterhouse Coopers, 2006*
- *The Indian Entertainment Industry - An Unfolding Opportunity, FICCI-Price Waterhouse Coopers, 2005;*
- *Indian Entertainment Industry Focus 2010: Dreams to Reality, CII - KPMG, 2005;*
- *The Indian Entertainment Industry: Emerging Trends and Opportunities, FICCI - Ernst & Young, 2004.*
- <http://www.ficci.com>; <http://www.screenindia.com>; <http://www.tn.gov.in>

Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the company and Book Running Lead Manager believe that industry data used in this section is reliable, it has not been independently verified

The Indian Entertainment Industry - An Overview

As the Indian economy continues growing, the Indian middle class will also expand significantly. Compared to other nations, the 3000 lacs strong Indian middle class allocates a higher percentage of its monthly expenditure on entertainment. The increasing consumerism of middle-class India is seen from the sharp growth in the sales for various products like automobiles, colour television sets and mobile phones and the burgeoning increase in credit cards and personal loans. There is an increase in the direct consumer spends on entertainment and advertising revenues have also been on the rise.

With the average Indian getting younger, and hence more likely to spend on nonessentials, the entertainment industry has the potential to grow explosively in the future. The Indian Entertainment and Media Industry is one of the fastest growing sectors in India. It is rising on the back of economic growth and rising income levels that India has been experiencing in the past decade, India is one of the fastest growing economies in the world. In terms of purchasing power parity, it is already the fourth largest economy in the world. An added boost to the entertainment and media industry in India is from the demographic point of view where the consumer spending is rising due to increasing disposable incomes on account of sustained growth in income levels and reduction of personal income tax over the last decade.

The Entertainment and Media Industry is composed of the following segments:

1. Television
2. Radio
3. Live Entertainment
4. Out-of-home
5. Filmed Entertainment
6. Music
7. Print Media
8. Internet Advertising

(Source: The Indian Entertainment and Media Industry – Unravelling the potential: FICCI – PwC Report, 2006)

The turnover of the entertainment industry was Rs 43,700 crore in the calendar year 2006, up from Rs 36,400 crore in 2005 and Rs 31,100 crore in 2004. According to Frames – FICCI-PwC report, the industry is expected to touch a turnover of Rs 100,000 crore by the year 2011, which would mean a compounded growth rate of 18% p.a.

(Source: <http://www.ficci.com> : Link - http://www.ficci.com/news/viewnews1.asp?news_id=1012)

Film Industry

The Indian film industry has been one of the oldest segments of the Indian Entertainment and Media Industry. The Indian film industry comprises of a cluster of regional film industries, like Hindi, Telugu, Tamil, Kannada, Malayalam, Bengali, etc. This makes it one of the most complex and fragmented national film industries in the world.

The Indian Film Industry continues to remain the world's largest in terms of number of films produced and personnel employed. 1200 movies were released in the year 2002 as per the information directory, Wikipedia. India also features the cheapest cost of tickets in the world (average tickets cost of USD 0.20) and the biggest movie studio in the world, Ramoji Film City. It employs over 6 million people every year in roughly 800-850 feature films made, out of which 22% of the films are Hindi while Tamil and Telugu films account for 20% each. Unprecedented growth in television and film industries, emergence of Animation and Gaming all point to the fact that it is the most appropriate time to get a strong hold in the Indian media and entertainment business. Also, the encouraging growth of multiplexes in urban India only proves that dispensable income is on the rise.

Today, India has the world's biggest movie industry that churns out around 1000 movies each year at an average cost of Rs. 4-6 crore per film; in 30 different languages; 400 crore tickets are sold every year leading to a domestic box -office collection of Rs. 4,650 crore; but has a pathetic cinema screen ratio of 12 screens for every 10 lacs people (vis-à-vis 117 in

the US). South Indian films contribute almost 50% to the revenues. India has 12,900 theatres and there is scope for an additional 10,000 screens.

The Indian film business is merely 0.67% of India's GDP (gross domestic product) as compared to 1.3% in Thailand; 2.7% in the US; 2% in Brazil; and 1.1% in S. Africa.

(Source: <http://www.screenindia.com> : Link - http://www.screenindia.com/fullstory.php?content_id=11744)

The Indian film industry is witnessing marked improvements in all spheres – from the technology used in making films, to the themes of movies, exhibition, finance, marketing and even in its business environment. There is no doubt that the Indian film industry is finally getting corporatised.

(Source: *The Indian Entertainment and Media Industry – Unravelling the potential: FICCI – PwC Report, 2006*)

The major regional film industries are Tamil and Telugu, which together earned around Rs. 1500 crores in 2005, followed by Malayalam, Bengali and Punjabi film industry. The average cost of production of a regional film, keeping in view, its limited market (compared to a Hindi film) and lower revenue potential, is only a fraction of that of a mainstream Bollywood film. With increased viewer exposure to a plethora of entertainment options on satellite television, the number of regional films produced annually has fallen from around 800, three years ago, to around 650 currently.

However, in terms of discipline and cost control, the level of professionalism prevalent in certain regional film industries (like Tamil) is higher than that observed in Bollywood. For instance, the average time frame for completion of a relatively big-budget Tamil film is 4 - 9 months, as opposed to 15-18 months in Bollywood.

Some key reasons for this are:

- Appropriate importance given to script development and pre-production
- Leading actors working on limited number (usually one or two) of assignments at a time and
- Large scale of operations of studios giving them:
 - flexibility to amortize and spread costs and risks over a larger portfolio
 - greater degree of integration

(Source: *Indian Entertainment Industry Focus 2010: Dreams to Reality – CII – KPMG Report, 2005*)

South Indian Film Industry

The south churns out more reels a year than Bollywood and its north and west Indian cousins put together. On an average, Telugu, Tamil, Kannada and Malayalam studios produce between 300 and 350 films a year, attracting up to Rs. 1,200 crore in investment. The south has the highest number of theatres in India, with the count being more than 6000.

About 60 per cent of the theatres in the country are situated in the four Indian southern states of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka servicing 22 per cent of the Indian population.

(Sources: *Industry estimates & PwC analysis*)

Telugu: Andhra Pradesh has the highest number of theatres in the country at over 2,200. On an average, the Telugu industry churns out 90 films a year, give or take another 10, in the big, medium and small budget categories. Small budget movies account for half the total productions. Big films feature big stars with budgets approximating Rs 15 to 20 crore. Medium budgets range between Rs 5 crore and Rs 7 crore, and the small budget films are made at about Rs 1.5 crore. It's an Rs 450 crore investment market per annum at the low-end and goes up to Rs 500 crore and beyond at the upper-end, based on the number of big films made during a year. The overseas market for Telugu films is just about maturing. Telugu films get about 5-8% of their revenues from the overseas market.

Tamil: It's the second biggest film industry in the South, in terms of investment. On an average, the Tamil film industry churns out 100 films a year, in the small, medium, big, bigger and biggest categories. The small budgets range around Rs 1.5 crore, the medium Rs 3 crore to Rs 5 crore. The big banners come at Rs. 10 to 15 crore. And the biggest ones revolving around superstar cost anywhere between Rs 35 to 50 crore. Tamil films have always dominated the overseas market, after Bollywood. On an average, a Tamil film gets about 10% of its revenues from the overseas market. The traditional presence of a large number of Tamilians in Malaysia and Singapore, besides Sri Lanka, has always offered an assured market for Tamil films overseas. The US, driven more by long settled Tamil population combined with the onslaught of IT professionals over the past decade-and-a-half, and Canada, a stronghold of Sri Lankan Tamils, have also been a reasonably large market for Tamil films.

Kannada: The Kannada film industry is much smaller, compared with the neighboring Telugu and Tamil industries. On an average 80 films, plus-minus 10, are produced every year in the small and big budget categories. The big budgets costing are approximately near to Rs 2 crore on an average. The small budgets hover around the Rs 1 crore mark. About 20 big films and 60 small films are made a year. It's about Rs 100 crore industry, and could go up to Rs 125 crore, or even Rs 150 crore, depending on the number of big films made each year.

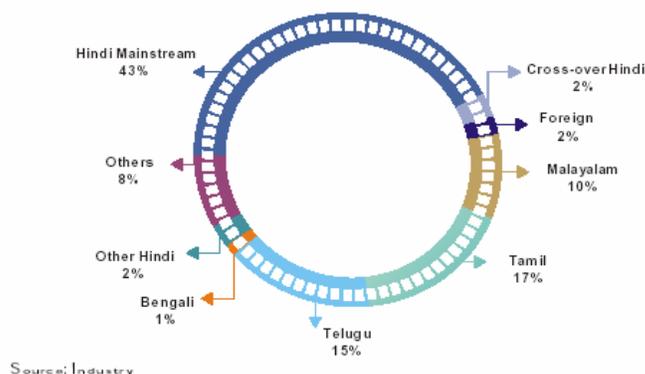


Malayalam: The industry rolls out between 60 and 70 films a year, in the small, medium and big budget categories. The small and medium films are made with an Rs 1 crore to Rs 2 crore budgets. The big films are made at around Rs 2.5 crore. It's a Rs 75 crore investment market per annum, but could go up to Rs 100 crore. A large population of Keralites settled in the Gulf has always offered the industry a ready market. This constitutes just about 5% of the overall revenues.

Strengths

- The South Indian industry is more organised, and rolls out films much faster than Bollywood
- As a language, Telugu & Tamil is one of the most spoken languages in India
- Films and film-based entertainment is a major staple for the people in the south, resulting in a large market for these films
- South Indian films are finding newer markets overseas or are strengthening the existing ones

Market Share by Revenues



The industry realizes almost 70% of its total revenues (around 80% of legitimate revenues) from domestic and overseas theatre viewership, unlike in countries like the US which earn only 35% of revenues from theatre viewership while the remaining 65% is derived from other revenue sources such as DVD/ VHS/ cable, satellite, pay-per-view, etc.

(Source: Indian Entertainment Industry Focus 2010: Dreams to Reality – CII – KPMG Report, 2005)

Barrier

The Indian film industry is the largest in terms of the number of films produced and the number of admissions. However, in terms of the actual size of the industry, it is probably one of the smallest in the world. Key reasons for that are as follows:

- **Low admission prices:** In spite of the largest number of admissions in the world at over 300 crore, India is one of the smallest box office markets. Interestingly, countries with half the admissions size of India have box office markets at least 10 times the size of India. Further, if one compares the number of admissions with the population of India, it shows that Indians are extremely fond of movies and an average Indian watches at least three movies at a theatre in a year.
- **Low occupancy levels in theatres:** There are 12,900 theatres spread across the country and the average occupancy rate is a paltry 35%.

These two aspects not only establish the fact that India is a film – entertainment starved nation, but also throw light on the potential of this industry. It has the potential to become the largest in the world in terms of revenues. Interestingly, the Indian film industry is not starved of finances. If that was the case, then the number of films that are produced each year would have dropped. The average budget of films, especially mainstream Hindi and regional films, has also not displayed a downward trend.

(Source courtesy: The Indian Entertainment and Media Industry – Unravelling the potential: FICCI – PwC Report, 2006)

Components of the Film Industry

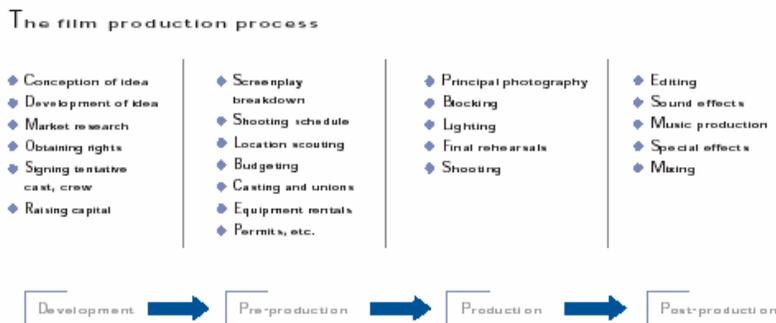
The Film Industry is sub – divided into the following categories:

- Film Production
- Film Distribution
- Film Exhibition

Film Production

A comparison of the stages of film production in the Indian film industry (using Bollywood as a proxy) with that of Hollywood reveals that the Indian film industry tends to ignore the most important stage of production - the development

stage. During the development stage, typically, the story is developed from a concept or an idea into a complete script with a provisional screenplay. The commercial viability of a creative concept is evaluated carefully by way of market segmentation, market research and use of sophisticated revenue forecasting models. In Hollywood, on an average, this stage takes anywhere between 2-4 years and only 20% of the stories developed at this stage move on to the next stage of pre-production.



Film Distribution

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

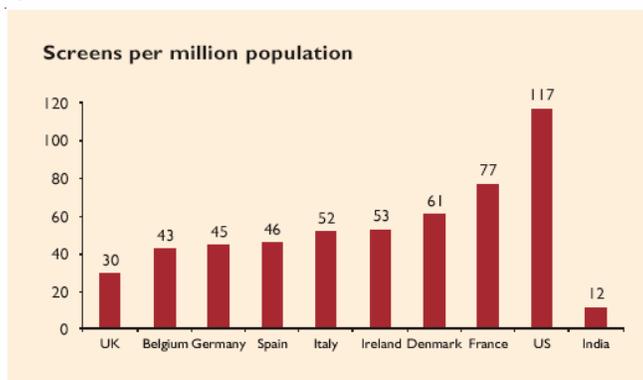
- part-financing of films (in case of minimum guarantee / advance based purchase of movie rights)
- localized marketing of the film
- selection of exhibition halls, and
- managing the logistics of physical prints distribution

In the Indian Film Industry, the distribution territories are divided as follows:

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

Film Exhibition

Though the number of admissions is the highest in the world, when compared to the number of screens available for India’s population, the average is relatively low as compared with other countries. With around 12,900 theatres in the country that are mostly single-screen, the average screen density works out to be only 12 screens per 10 lac population. In contrast, the US average is about 117 screens (per 10 lac population) and the UK average is 30 screens (per 10 lac population). Even if a gap of just 8 screen average (as per the UNESCO Report of 2001, quoted in the CII-KPMG Report 2005) is considered, there is a potential demand of about 8,000 additional screens in the country.

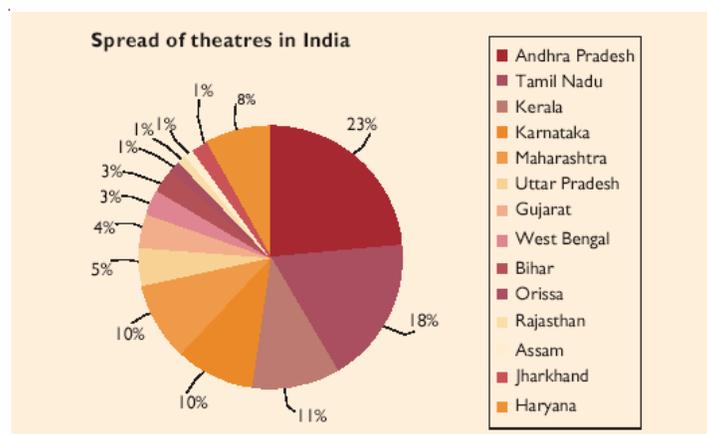


Source: UNESCO Report 2001 as quoted in CII-KPMG Report 2005



Most of the theatres in India are single-screen theatres and not the highest quality, which has resulted in lower occupancy rates and lower ticket prices. This provided an opportunity for companies to take over such theatres on lease/contract basis (most of such theatres are owned by individuals who are running into losses and hence are willing to enter into such contracts) for up-gradation or conversion to multiplexes. Such up-gradation and conversions to multiplexes is resulting in higher occupancy rates and thereby the opportunity for exhibitors to charge higher ticket prices. This growth of the multiplexes has resulted in the average ticket prices to rise by more than 5 times. Further, average occupancy levels have also steadily risen resulting in higher box office collections. Such companies also retain the right to monitor the ticket collections and having retained a share are able to recover their investments faster than if they opted to set-up a new theatre.

Further, about 60 percent of the theatres in the country are situated in the four Indian southern states of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka (refer to chart) servicing 22% of the Indian population. Andhra Pradesh has more than 2,800 cinema halls compared to 900 in Maharashtra and 1,100 in Uttar Pradesh. In 2004, there were around 250 Hindi films but 485 South Indian films. The entertainment taxes in South India are amongst the lowest.



Source: FICCI-PricewaterhouseCoopers Report- Indian Entertainment Industry: An Unfolding Opportunity

Digital Cinema

There are primarily two reasons why people do not like to visit local theatres. One, of course, is the bad condition of the theatres in the country. Two, is the availability of a large number of pirated prints of the latest releases at prices similar to or even lower than one admission ticket.

Apart from increased measures from the law enforcement agencies to curb piracy, (which haven't been very successful due to shortage of funds and manpower), other alternatives available to film producers is to go digital. Digital prints are not only cheaper (industry estimates the cost of producing such prints to be a fourth of a regular celluloid print), they are also less prone to illegal duplication. Within the same budget, if one were to produce a larger number of prints, this would not only solve the menace of piracy to a great extent but also revive theatres in small towns where such movies could be viewed in the first week of its release. However, one of the pre-requisites of taking the advantage of digital prints is the availability of digital theatres.

Potential of Digital Cinemas

India is on the verge of becoming the largest digital theatre country in the world - a revolutionary opportunity waiting to be tapped by potential investors. For a country as large as India, film distribution and exhibition is a completely different ball game. Today around 12,900 theatres in the country are being serviced by around 300 celluloid prints released for a mainstream commercial film. As these prints are insufficient, they are first released in 'A' class cities and thereafter re-circulated to the 'B' and 'C' class cities in the country. After having run for a couple of weeks in 'A' class cities, the quality of such prints deteriorates considerably. This impacts the occupancy rates in the already run-down theatres and also the ticket prices. Further, during the period when the new releases are running in the 'A' class cities, pirated copies from these celluloid prints are developed to cater to such audiences in the 'B' and 'C' class cities. But all this is now set to change. Theatres across the country are now going digital. With digitalization, theatres will be able to obtain prints at the same time the film is released. This coupled with superior quality is resulting in higher occupancy rates and higher ticket prices. Theatre-owners too have no reasons for complaints. As a result of the digital projection system, the quality of the films being screened has improved significantly impacting the occupancy rates, which have been reported to increase by almost 50% in some of these large-seating single screen theatres. Since the films are screened at the same time they are released nation-wide, theatre owners now have the wherewithal to charge higher ticket prices as well.

Film processing companies are also gearing up to cater to this potential demand of churning out digital prints. The cost of producing a digital film is estimated to be a fourth of the cost of a celluloid print- hence the film producer too is excited as

now he is able to generate a much larger number of prints than earlier. This not only helps in a larger release of his film but more significantly able to curb the menace of piracy which was depleting his box office collections by almost 90%. If one were to aggregate the number of theatres that are planning for the digital conversion, this would aggregate to about 10% of the theatres in the country today.

(Source courtesy: *The Indian Entertainment and Media Industry – Unravelling the potential: FICCI – PwC Report, 2006*)

Government's Concession to Tamil Film Industry

1. The low budget quality Tamil feature films are granted subsidy at the rate of Rs.7 lacs each.
2. Entertainment tax is exempted for low budget quality Tamil feature films for a period of four weeks from the date of release of the eligible films.
3. Cash awards, gold medals, mementos and certificates are presented to the best Tamil films, actors, actresses and technicians.
4. Veteran Awards are presented to the doyens of film industry.
5. Permission is granted for film shooting in Government premises under single window system.
6. Committees have been constituted at district level and state level to resolve disputes in film industry.
7. A sum of Rupees one lac is granted from the Chief Minister's Public Relief Fund to the family of stunt actor who die during film shooting. A sum of Rs.50,000/- is granted if he becomes incapacitated.
8. On the representation of Film & TV industry and to encourage them, orders have been issued recently reducing the fees to be paid for out door shooting.
9. In order to provide fillip to the Film Industry and to further interest in Tamil language, new films with titles in Tamil have been granted full exemption from Entertainment tax from July 22, 2006 onwards.

(Source: <http://www.tn.gov.in> : Link - http://www.tn.gov.in/policynotes/information_publicity-1.htm)

Industry agenda for accelerated growth

Though the growth prospects for the Indian film industry are quite strong, it is still performing below its underlying potential. Concerted efforts undertaken by the industry participants can launch the industry on an accelerated growth path, so that it can beat the forecasts. Some of the key drivers that can enable such accelerated growth could be:

- Corporatisation
- Digitization
- Developing economies of scale
- Organised film financing
- Value chain integration
- Consolidation in distribution and exhibition
- Piracy and its control
- Expanding the international market
- Outsourcing to India
- Training and education and
- Government incentives.

(Source: *Indian Entertainment Industry Focus 2010: Dreams to Reality – CII – KPMG Report, 2005*)

Conclusion

The Film Industry is making its leap from a fragmented, unorganised framework to an organised, commercially focused structure. It will need to adapt and imbibe the business processes that would aid this metamorphosis. Simultaneously, it needs to tap alternate revenue streams by utilising the right technologies and following the right processes to optimise resource utilisation. The key to success in such a dynamic scenario will be the ability of the players to adopt global practices with the necessary degree of customisation and localisation. When it succeeds in making this transformation, it will compare favourably with the world's most developed film industry, viz. Hollywood, in terms of functioning and earning potential.



BUSINESS OVERVIEW

Overview:

Our company was originally incorporated as CTV Entertainment Private Limited at Bangalore, Karnataka on July 12, 1989 under the Companies Act, 1956 and was converted into a public limited company and renamed as CEE (I) TV Entertainment Limited vide fresh certification of incorporation dated February 4, 2000. Subsequently the name was changed to MidValley Entertainment Limited vide fresh certificate of incorporation dated December 27, 2005. The Company shifted its registered office from Bangalore to Chennai registered vide order of the Asst. Registrar of Companies, Tamil Nadu dated February 7, 2007.

MidValley Entertainment Limited is one of the leading players in the media and entertainment industry in South India. We are engaged in the media and entertainment activity from concept to completion. We produce, distribute and exhibit movies both in Indian and foreign languages. We intend to emerge as one of the leading theatre chain in Southern India. We currently operate 69 theatres in distribution territories of Hyderabad and Tamil Nadu.

MidValley currently focuses on the following business areas:

- Production of movies
- Distribution of movies
- Exhibition of movies

The company is based out of Chennai, Tamil Nadu, India and is active in exhibition business and operates a theater chain in Southern India besides producing and distributing movies. India is a growing entertainment market, however, there is a lack of quality theatres beyond the metros and some of the Tier-I towns and video piracy and home viewing has made a dent on theatre collections. We are in the process of creating a chain of theatres under our management and operational control. We intend to converge into a media and entertainment company having presence in production, distribution and exhibition thus integrating the production and the last mile access platform for movie delivery and our presence from script to screen.

MidValley has embarked on a project to lease in theatres in southern states and convert the same into a pleasant viewing experience for movie watchers. It intends to upgrade the infrastructure in these theatres and install digital projection equipment with an objective to take movies to the Indian masses. The company had already leased in 69 theatres and is in the process of acquiring more such theatres. The company intends to focus on B and C class towns initially. We intend to use digital technology and convert the theatres leased in by us into digital theme theatres.

The single screen theatres today are suffering due to:

- poor quality of theatrical infrastructure
- poor services due to years of neglect of infrastructural and qualitative improvements
- unhygienic conditions
- poor seating and
- outdated equipments

MidValley believes that the performance of single screen theatres would improve if the management is professionalized and a chain of theatres takes over the operation and maintenance of the theatres bringing economies of scale and bargaining power with distributors. As of today, a movie screening in B and C class towns is ~ 30 days post the date of release and the revenue potential of these cities is not completely tapped. MidValley intends to have better bargaining power with distributors and thus exhibit the movies in B and C centers along with release of the movie, this would mean that movies would be exhibited when there is still an aura of inquisitiveness around them even in B and Class cities.

The company as on June 30, 2007 has the following theatres under that it operates and manages:

List of Theatres at – Hyderabad film circuit

Sr. No.	Category*	Location#: Hyderabad	Name of the Theatre	No. of Seats	Date of MOU	Valid Thru
1	B	Mahboob Nagar	Menaka	626	17-Mar-07	16-Mar-09
2	B	Yellandu	Lalitha Kalamandir	650	24-Mar-07	23-Mar-09
3	B	Kadri	Parmeshwari	668	17-Mar-07	16-Mar-09
4	C	Alwal	Kiran Alwal	500	2--Mar-07	1-Mar-09
5	C	EthurNagam	Sri Venkateshwara Talkies	460	26-Feb-07	25-Feb-09
6	C	Hayath Nagar	Swamy Shanker	495	24-Feb-07	23-Feb-09
7	C	Ramayanpet	Santosh	870	7-Apr-06	6-Apr-08
8	C	Bibinagar	Sai sunil picture place	431	1-Jan-07	31-Dec-08

Sr. No.	Category*	Location#: Hyderabad	Name of the Theatre	No. of Seats	Date of MOU	Valid Thru
9	A	Latur	Yashoda	976	21-Jun-06	20-Jun-07*
10	C	Nanded	Ganesh	748	21-Jun-06	20-Jun-07*
11	B	Beed	Asha	726	21-Jun-06	20-Jun-07*
12	B	Mahabobad	Laxmi talkies	494	12-Jul-06	11-Jul-07
13	B	Mahabobad	Venkatramana	410	21-Jun-06	20-Jun-07*
14	C	Adavinampally	Jayasurya	504	21-Jun-06	20-Jun-07*
15	C	Garla	Badradi	325	21-Jun-06	20-Jun-07*
16	A	Hyderabad	Sairaja 70mm	909	15-Dec-06	14-Dec-07
17	A	Hyderabad	Kumar 70mm	800	16-May-06	1-Mar-09
18	A	Hyderabad	Shalimar 70mm	1000	3-Nov-06	2-Nov-07
19	A	Hyderabad	Shalimar 35mm	365	3-Nov-06	2-Nov-07
20	A	Sadia talkies	Aurungabad	835	3-Nov-06	2-Nov-09
21	B	Thirumalgery	Malleswari	726	2-Dec-06	1-Dec-07
22	A	Secunderadab	Suresh 70 mm	953	12-Jan-07	11-Jan-08
23	B	Parli	Krishna 70 mm	821	10-Oct-06	9-Oct-09
24	B	Madira	Vasavi	690	15-Dec-06	14-Dec-07
25	A	Hyderabad	Tarakarama	1233	15-Dec-06	14-Dec-07
26	B	Madira	Lakshmi srinivasa	669	5-Jan-07	4-Jan-09
27	B	Udgir	Uma chitra mandir	412	22-Dec-06	21-Dec-07
28	C	Nilanga	Ajantha	480	10-Dec-06	9-Dec-09
29	B	Bidir	Chitralekha	514	1-Mar-07	1-Mar-12
30	C	Thorrur	Ambedkar	350	1-Jan-07	31-Dec-08
31	B	Gowari khani	New Ashok	670	5-Jan-07	4-Jan-09
32	B	Suriyapet	Lakshmi	731	10-Jun-06	9-Jun-09
33	B	Nirmal	Kamal talkies	578	27-Mar-07	26-Mar-12
34	B	Beed	Ashok talkies	637	1-Mar-07	1-Mar-08
		Total		22256		

* the leases for the above theatres have expired, however the company continues to operate the same. The company is currently in the process of renewing these lease agreements.

List of Theaters - Tamilnadu film circuit

Sr. No.	Category	Location:# Tamilnadu	Name of Theatre	No. of Seats	Date of MOU	Valid Thru
1	A	Vandavasi	Padmavathy Theatre	427	14-Jan-06	13-Jan-11
2	A	Vandavasi	Srilakshmi Theatre	535	14-Jan-06	13-Jan-11
3	A	Nagari	Rajeswari Theatre	535	16-Feb-06	16-Feb-11
4	C	Chennai	Meenakshi Theatre	662	10-Mar-06	9-Mar-11
5	A	Vellore	Apsara	901	9-Feb-06	8-Feb-11
6	A	Turuthani	Golden Theatre	492	1-Jun-06	30-May-16
7	B	Polur	Arun Theatre	717	11-Aug-06	10-Aug-09
8	A	Tirupattur	New Sangeeth Theatre	800	1-Nov-06	30-Sep-07
9	B	Chennai	Lakshmi bala Theatre	750	11-Nov-06	10-Oct-07
10	B	Chetpet	Padmavathy Theatre	650	1-Nov-06	31-Oct-07
11	A	Kumarapalayam	Gowri Theatre	730	1-Dec-06	31-Dec-08
12	A	Madurai	Solai Malai	860	26-Jan-07	25-Dec-07
13	A	Madurai	Ambiga Theatre	860	26-Jan-07	25-Dec-07
14	A	Rajapalayam	Jeya Annand	900	18-Dec-06	17-Dec-11
15	A	Kumarapalayam	K.O.N Theatre	850	15-Dec-06	14-Dec-11
16	A	Dindigul	N.V.G.B. Talkies	600	6-Jan-07	5-Jan-12
17	B	Chennimalai	Devagiri Theatre	700	6-Jan-07	5-Jan-10
18	A	Salem	Devisaradhas Theatre	434	14-Apr-07	13-Mar-08
19	A	Salem	Saradhas Theatre	781	14-Apr-07	13-Mar-08
20	B	Metturdam	Annai Kavery Theatre	528	28-Mar-07	27-Feb-08
21	A	Avinashi	Karunambika Theatre	600	28-Mar-07	27-Feb-08
22	A	Avinashi	Chitralaya Theatre	523	4-May-07	3-Apr-08
23	B	Salem	Chandra Theatre	659	3-Apr-07	2-Mar-08
24	B	Salem	Saravana Theatre	575	9-Apr-07	8-Mar-08
25	A	Madurai	Central	590	9-Apr-07	8-Mar-08



Sr. No.	Category	Location:# Tamilnadu	Name of Theatre	No. of Seats	Date of MOU	Valid Thru
26	B	Tirupur	Laxana Theatre	641	22-May-07	21-May-12
27	B	Dindigul	Balaji Theatre	808	8-May-07	7-May-12
28	A	Tirupur	Ganesh Theatre	860	16-May-07	15-May-12
29	B	Coimbatore	Manis Theatre	976	14-May-07	13-May-12
30	B	Salem	Priyaratna Theatre	797	11-May-07	10-May-12
31	B	Ramnathapuram	Ohm shanmuga Theatre	751	25-May-07	24-May-12
32	A	Dindigul	Solai Hall Theatre	985	8-May-07	7-May-12
33	B	Paramakudi	Ravi Theatre	751	21-May-07	20-May-12
34	A	Madurai	Saraswathi Theatre	1122	14-May-07	13-May-12
35	B	Paramakudi	S.P.M. Theatre	800	14-May-07	13-May-12
			Total	25150		

In all as on June 30, 2007, we have tied up a total of 69 single screens of existing theatres in the territories of Tamil Nadu and Hyderabad. The combined number of seats available across the theatres in our chain is approximately 47000.

Business Strategy

Our goal is to create a strong theatre chain in southern India. Our strategy is to acquire the existing single screen theatres on lease and convert them into digital theatres and improve there ambience and outlook and to make movie going a part of life for viewers and bring the latest releases to the theatres thereby being in market at the time when there is a demand.

Details of the Business of MidValley

a. Location of the Offices

The Company operates out of Chennai, Tamil Nadu, India. The company also has offices in Secunderabad, Madurai and Salem.

The offices of the company are located at the following places:

- 9th Floor, Gee Gee Emerald, 312, Valluvar Kottam High Road, Nungambakkam, Chennai – 600 034, Tamil Nadu, India
- 7-3-714, 2nd floor, R.P. Road, Secunderabad, 500 092. Andhra Pradesh, India.
- 113A, 1st floor, V.S.V.K.J. Malligai Towers, Madurai, - 625 001, Tamil Nadu, India.
- 181/2, 3 Gr. Floor, Sudarshan Building, Royal garden Annex, New bus stand Bypass Road, Meyyampur, Salem, 636 004, Tamil nadu, India.

b. Plant, Machinery, Technology, Process, etc.

Digital Cinema

Digital cinema refers to the use of digital technology to distribute and project motion pictures. The final movie can be distributed via hard drives, DVDs or satellite and projected using a digital projector instead of a conventional film projector. Digital cinema is distinct from standard video and high-definition video. In particular, it is not dependent on using television or HDTV standards, aspect ratios, or frame rates.

Digital Cinema Distribution

Digital Cinema Distribution (DCD) is the process of transmitting the DCP to theater servers via different methods that may include: hard drives, LTO data tapes, DVD-ROMs, or satellite. Each method of distribution faces its own unique challenges. Currently, there is no industry or de-facto standard for distribution. This issue will likely be decided by market forces and business models.

Digital projection

Digital Cinema comes in 2 flavors:

- a. D-Cinema - which is meant for feature films coming out of the US using DLP Cinema technology, which the big 7 Hollywood studios have subscribed to, and which is still extremely costly even in the US; recent activities by the Digital Cinema Initiative and the major studios have yielded in agreed DCI standards ratified by SMPTE, implemented since 2005.
- b. E-Cinema – refers to “the Other Digital Stuff”, as coined by John Fithian, President of the National Association of Theater Owners in America. This could be documentaries, films from independent distributors, HD movies, advertising, live content, sport events etc. which are shown in theaters on pretty much any other display technology.

In India, the digital cinema implementations have been predominantly e-cinema as it is cost-effective and relevant to the Indian film industry in terms of cost/benefits.

Economics of Digital Cinema:

1. Savings in production: Digital media is very cheap compared to film. This matters most to low-budget films.
2. Digital cinema can also reduce costs while shooting and editing. It is possible to see the video and make any necessary adjustments immediately, instead of having to wait until after the film is processed. Digital footage can also be edited directly, whereas with film it is usually digitized for editing and then re-converted to film for projection.
3. Savings in distribution: Digital distribution of movies saves money for film distributors as costs are comparatively cheaper for digital cinema.
4. Alternative content: An added incentive for exhibitors is the ability to show alternative content such as live special events, sports, pre-show advertising and other digital or video content. Some low-budget films that would normally not have a theatrical release because of distribution costs might be shown in smaller engagements than the typical large release studio pictures. The cost of duplicating a digital "print" is very low, so adding more theaters to a release has a small additional cost to the distributor. Movies that start with a small release could scale to a much larger release quickly if they were sufficiently successful, opening up the possibility that smaller movies could achieve box office success previously out of their reach.
5. Greater protection for content: An incentive for digital distribution is the possibility of greater protection against piracy. With traditional film prints, distributors typically stagger the film's release in various markets, shipping the film prints around the globe. In the subsequent markets, pirated copies of a film (i.e. a cam) may be available before the movie is released in that market. A simultaneous worldwide release would mitigate this problem to some degree. With digital distribution, a simultaneous worldwide release would not cost significantly more than a staggered release.

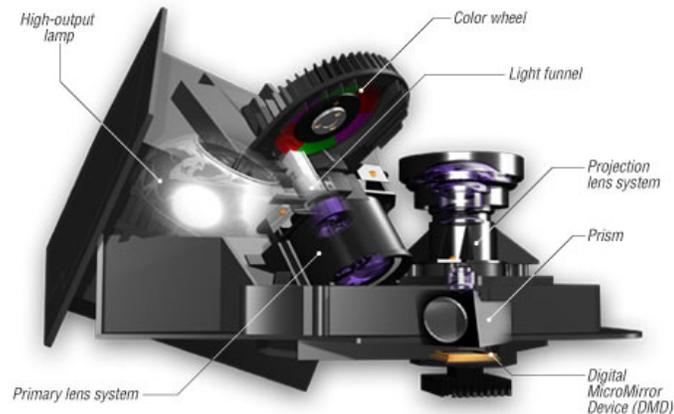
On the downside, the initial costs for converting theaters to digital are high. Theaters have been reluctant to switch. While a theater can purchase a film projector and expect an average life of 30-40 years, a digital cinema playback system including server/media block/and projector can cost 3-4 times, and is at higher risk for component failures and technological obsolescence. Computer-based media systems have an average economic lifetimes of ~5 years with some units lasting until about 10 years before they are replaced.

Digital Light Processing Technology:

DLP technology is a revolutionary display solution for video projectors that uses an optical semiconductor to manipulate light digitally. It's also a proven and dependable technology preferred by leading electronics manufacturers worldwide, with more than 1 million systems shipped since 1996.

DLP technology is in use wherever visual excellence is in demand. In fact, it's the only display solution that enables movie video projectors, televisions, home theatre systems and business video projectors to create an entirely digital connection between a graphic or video source and the screen in front of you. The result is maximum fidelity: a picture whose clarity, brilliance and color must be seen to be believed.

The DLP Light Engine





How does DLP Technology work?

DLP technology is the result of a breakthrough in micro engineering that leads to the best picture quality money can buy.

1. The Semiconductor

At the heart of every DLP projection system is an optical semiconductor known as the Digital Micromirror Device, or DMD chip, which was invented by Dr. Larry Hornbeck of Texas Instruments in 1987. The DMD chip is probably the world's most sophisticated light switch. It contains a rectangular array of up to 1.3 million hinge-mounted microscopic mirrors; each of these micromirrors measures less than one-fifth the width of a human hair, and corresponds to one pixel in a projected image. When a DMD chip is coordinated with a digital video or graphic signal, a light source, and a projection lens, its mirrors can reflect an all-digital image onto a screen or other surface. The DMD and the sophisticated electronics that surround it are what we call Digital Light Processing technology.



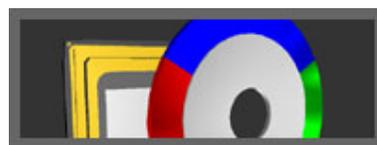
2. Digital Light Processing I: The Grayscale Image

A DMD panel's micromirrors are mounted on tiny hinges that enable them to tilt either toward the light source in a DLP projection system (ON) or away from it (OFF)-creating a light or dark pixel on the projection surface. The bit-streamed image code entering the semiconductor directs each mirror to switch on and off up to several thousand times per second. When a mirror is switched on more frequently than off, it reflects a light gray pixel; a mirror that's switched off more frequently reflects a darker gray pixel. In this way, the mirrors in a DLP projection system can reflect pixels in up to 1,024 shades of gray to convert the video or graphic signal entering the DMD into a highly detailed grayscale image.



3. Digital Light Processing II: Adding Color

The white light generated by the lamp in a DLP projection system passes through a color wheel as it travels to the surface of the DMD panel. The color wheel filters the light into red, green, and blue, from which a single-chip DLP projection system can create at least 16.7 million colors. And the 3-DMD chip system found in DLP Cinema projection systems is capable of producing no fewer than 35 trillion colors. The on and off states of each micromirror are coordinated with these three basic building blocks of color. For example, a mirror responsible for projecting a purple pixel will only reflect red and blue light to the projection surface; our eyes then blend these rapidly alternating flashes to see the intended hue in a projected image.



4. Applications and Configurations

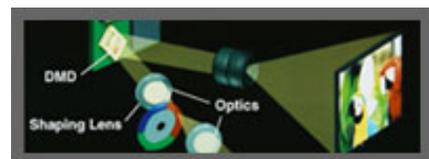
The DLP projection system comes in two types:

- a.) 1-Chip DLP Projection system
- b.) 3-Chip DLP Projection system



a.) 1-Chip DLP projection system

Televisions, home theatre systems and business video projectors using DLP technology rely on a single DMD chip configuration like the one described above. White light passes through a color wheel filter, causing red, green and blue light to be shone in sequence on the surface of the DMD. The switching of the mirrors, and the proportion of time they are 'on' or 'off' is coordinated according to the color shining on them. The human visual system integrates the sequential color and sees a full-color image.



b.) 3-Chip DLP projection system

DLP technology-enabled video projectors for very high image quality or high brightness applications such as cinema and large venue displays rely on a 3-DMD-chip configuration to produce stunning images, whether moving or still. In a 3-chip system, the white light generated by the lamp passes through a prism that divides it into red, green and blue. Each DMD chip is dedicated to one of these three colors; the colored light that each micromirror reflects is then combined and passed through the projection lens to form a single pixel in the image.



Results / Characteristics of DLP technology is beautiful picture:

– **Clarity**

DLP technology comes closer than any other display solution to reproducing the exact mirror image of its source material. That's why images projected by DLP technology are always crystal clear. The thousands of mirrors making up the Digital Micromirror Device at the heart of DLP technology are spaced less than one micron apart, resulting in a very high "fill factor." By minimizing the gaps between pixels in a projected image, DLP projection systems create a seamless digital picture that's sharp at any size-without the pixellation or "screen door" effect apparent in other technologies.

– **Brightness**

DLP projection systems outshine the alternatives because, being mirror-based, they use light more efficiently. While other technologies lose a certain amount of light in transit, the microscopic mirrors in a DLP projection system bring more light from lamp to screen. The difference is plain to see. With DLP technology, home entertainment becomes the visually stunning experience it should be. Business presentations have maximum impact-whether the lights are on or off. And large venue displays captivate their audiences with outputs of up to a whopping 15,000 lumens.

– **Color**

DLP technology reproduces a range of colors up to eight times greater than that of analog projection systems. In televisions and home theatre systems, DLP projection creates rich blacks and darker shades than is possible with other technologies. At the movies, DLP Cinema technology projects no fewer than 35 trillion colors-over eight times more than is possible with film. DLP color is becoming even more brilliant as we introduce Sequential Color Recapture or SCR, an innovation that will enable DLP projection systems (video projectors) to bring up to 40 percent more lumens to the screen than was previously possible.

– **Smarter Product Design**

The Digital Micromirror Device at the core of DLP technology can modulate light much more quickly than other display ingredients. That means a DLP projection system only requires one panel, while other technologies require three. The result is a projection subsystem that is smaller and lighter, leaving ample room for innovative design. So product designers can focus on making their products lighter, slimmer, and more elegant. Think wide-screen televisions that don't eat up the living room. A new generation of cabinet-sized, 40-inch tabletop TVs. And portable projectors weighing as little as two pounds that are bright enough for lights-on presentations.

– **Reliability**

DLP technology makes video projectors, home theatre systems, and televisions more robust and more reliable. The digital nature of DLP technology means that, unlike other display solutions, it's not susceptible to heat, humidity, or vibration-environmental factors that can cause an image to degrade over time. DLP projection systems display an original-quality picture time and time again with zero hassle and minimal maintenance. And with more than one million systems shipped since 1996, DLP technology has a proven track record for outstanding dependability.

– **Versatility**

DLP projection brings the same peerless visual standard to entertainment, work, and play. Innovation and flexibility: As far as we're concerned, you can't have one without the other. DLP technology fits into your life wherever visual experience is important. DLP technology delivers stunning images in your home, while DLP Cinema technology delivers unmatched image quality in the movie theatre. The video projector you use for presentations also works its magic in your living room-or even doubles as the ultimate PC game enhancer for your kids (if they're lucky). And the all-digital nature of televisions and home theatre systems featuring DLP technology makes them ideal for enjoying television programming, the Internet, and gaming applications all in one place.

Advantages of Digital Cinema vs. 35mm Film:

35mm Film

- High maintenance mechanical equipment
- Each print has its own courier
- High power consumption
- Projection booths often require a minimum of 250sq feet to accommodate
- Inconsistent picture and sound due to natural wear and tear



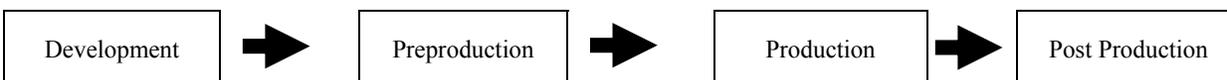
Digital Cinema

- A solid and more stable picture and optimum sound presentation every time
- One courier for all titles
- Multiple titles can be loaded on to one server
- Low electricity consumption
- Low maintenance electronics i.e. minimal moving parts
- Full automation for customer control of start and stop times of all features
- Projection booth size can be greatly reduced

MidValley has decided to go with DLP 3-Chip technology for its theatre chain.

A.) Movie Production Process:

A movie production can be divided into the broad four stages described below:



The schedule of activities relevant at each stage is as under:

Development

- conception of ideas
- development of ideas
- market research
- obtaining rights
- signing tentative cast, crew
- raising capital

Pre-Production

- screenplay breakdown
- shooting schedule
- location scouting
- budgeting
- casting and unions
- equipment rentals
- Permits etc.

Production

- principal photography
- blocking
- lighting
- final rehearsals
- shooting

Post-Production

- editing
- sound effects
- music production
- special effects
- mixing

B.) Distribution

To complement the exhibition and the production and to keep have the presence across all segments, our company distributes products from all banners and production houses based on relationships with producers and trail screenings, but entails to limit its risk exposure by only investing in products from known banners with established directors and saleable star cast. A standard acquisition procedure is in place and films are stringently reviewed before a decision to invest is taken by the management.

C.) Screening Process

- Ability to identify locations:

One of the biggest factors for the success of any cinema hall is the location. We believe that our skill in identifying locations is one of our key strengths. We have a professional team with of experience in evaluating various locations in terms of catchment area, competing alternatives, expenditure patterns, etc.

- **Proven project management skills:**

We have an in-house professional team for project implementation. This model of implementing projects has enabled us to complete acquisitions and operations within budgets and time.

- **Capital-efficient project design and execution:**

Our projects are planned and conceived in a manner that each screen acquired is profitable on a stand alone basis. We use our internal skills to assess the location and demographics and decide on capital expenditure accordingly. The properties on which we operate are acquired on lease ranging from 11 month to in most cases 5 years and are not owned by us. We manage these properties pursuant to agreements entered into with the respective owners of the properties. Apart from stand-alone profitability of each site, it also ensures an efficient use of capital.

- **Selection of content:**

Due to our experience in content selection and programming for many theaters and a deep understanding of different film genres (developed in our distribution business), we are well-placed to exploit each film available in the market.

- **Marketing strength:**

MidValley has been established in the consumers mind due to the movie experience that it stands for and the mass segment that it caters to. The movies that we exhibit and the entertainment provided to our patrons is our most important marketing tool.

- **Customer Orientation:**

MidValley stands for clean and hygienic environment of the cinemas.

- **Experience in Film Distribution:**

Apart from the experience in areas of exhibition i.e. programming, theater management and running cinemas MidValley is in film distribution as well. This distribution experience is particularly useful for the exhibition business in the following way:

- Ability to identify under serviced areas and/or untapped locations, where unmet demand for a movie theater exists. This helps us in deciding about cinemas to lease in
- Relationship with producers/distributors in getting access to content.
- Relationship with theater-owners enables us to have access to locations.
- Understanding of different film genres and their box-office potential. This is important for content selection.

c. **Collaborations, any performance guarantee or assistance in marketing by the collaborators**

Nil

Manpower

The total manpower directly employed by the Company as on May 31, 2007 is 52 personnel.

d. **Products / Services of the Company**

i. **Nature of Products and end users**

MidValley is in the business of entertainment from script to screen. The end users of the products / services of the company are the patrons that make the entertainment industry.

ii. **Market including details of the Competition, past production figures for the industry, existing installed capacity**
Competition

Some of the domestic competitors are:

- Pyramid Saimira
- Shree Ashtavinayak Cine Vision Limited
- Adlabs Films Limited
- PVR Limited
- Inox Leisure Limited
- Mukta Arts
- UTV Software Limited

Majority of the competitors mentioned above cater to Metros and Class A cities, MidValley has a business model to cater to Class B and C towns and focus on running of the single screen theatres. We intend to acquire on lease the single screen theatres and convert the same into digital theme theatres. Our business model is closer to some of our competitors who cater to A and B class towns.

Past Production Figures for the Industry and Existing installed capacity

There are 12900 screens in India out of which 95% are standalone single screens.



iii. Approach to marketing and proposed marketing set-up

MidValley has been established in the consumers mind due to the movie experience that it stands for and the mass segment that it caters to. The movies that we exhibit and the entertainment provided to our patrons is our most important marketing tool.

The single screen theatres today are suffering due to:

- poor quality of theatrical infrastructure
- poor services due to years of neglect of infrastructural and qualitative improvements
- unhygienic conditions
- poor seating and
- outdated equipments

MidValley believes that the performance of single screen theatres would improve if the management is professionalized and a chain of theatres takes over the operation and maintenance of the theatres bringing economies of scale and bargaining power with distributors. As of today, a movie screening in B and C class towns is ~ 30 days post the date of release and the revenue potential of these cities is not completely tapped. MidValley intends to have better bargaining power with distributors and thus release the movies in B and C centers along with release of the movie, this would mean that movies would be released when there is still an aura of inquisitiveness around them even in B and Class cities.

iv. Export possibilities and export obligations

We are in the film exhibition industry, wherein the export potential is non-existent; however, for the movies produced by us, we may be able to release the same internationally. We currently do not have any export obligations.

Quality Assurance

We intend to upgrade the facilities, amenities and ambience of all theatres in our chain to bring them at par with modern consumer expectation levels. All the theatres will have certain basic features like quality seating, modern sound and lighting equipment, good house keeping, proper parking, good food and beverage facilities, fire control and safety features, etc.

Competitive Strengths

- Strategic locations of theatres
- Among the leading players in the business
- Committed management

Insurance

All Company's fixed and current assets are adequately insured covering all major risks.

Amount Rs. in lacs

Sr. No.	Validity Period Of Policy	Type of policy	Description of Assets Covered under the policy	Policy No.	Sum Insured	Premium	Name of the Insurance Company
1.	November 10, 2006 to November 9, 2007	Standard Fire & Special Perils policy	Office Building & it's contents	293/2007	137.75	0.09	The Oriental Insurance Company Ltd.

Property - Land and Buildings

A summary of our properties is given below:

Sr. No.	Location	Area	Ownership and other details	Purpose
1.	9B, 9 th Floor, Gee Gee Emerald, 312, Valluvar Kottam High Road, Nungambakkam, Chennai-600034	1743 Sq. Ft.	Ownership: Acquired from Mr. Bharat M. Shah, 23 rd November 2005	Registered office
2.	9C and 9D, 9 th Floor, Gee Gee Emerald, 312, Valluvar Kottam High Road,	2700 Sq. Ft	Leased: from Mr. Rajkumar Sethupathy for a period of 3 years commencing October 12, 2005 thru October 11, 2008.	Office

Sr. No.	Location	Area	Ownership and other details	Purpose
	Nungambakkam, Chennai-600034			
3.	7-3-714, 2 nd floor, R.P. Road, Secunderabad 500 092. Andhra Pradesh	-	Rented from Mr. Rajesh Reddy V.K. Jothi Ramalingam for a period of 2 years commencing November 1, 2006.	Office
4.	113A, 1 st floor, V.S.V.K.J. Malligai Towers, Madurai, - 625 001, Tamil Nadu	-	Rented from Mr. V.K. Jothi Ramalingam for a period of 2 years commencing January 1, 2007 thru December 31, 2008.	Office
5.	181/2, 3 Gr. Floor, Sudarshan Building, Royal garden Annex, New bus stand Bypass Road, Meyyamur, Salem, 636 004, Tamil Nadu	-	Rented from Mr. P. Muthusamy for a period of 3 years commencing February 15, 2007 thru February 15, 2010.	Office

Besides the above, the company operates various theatres thru lease deeds.

Purchase of Property

Except as stated in this Draft Red Herring Prospectus and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the issue (if any), there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which Contracts for the purchase or acquisitions were entered into in the ordinary course of business and the contracts were not entered into in contemplation of the issue nor is the issue contemplated in consequence of the contracts or the amount of purchase money is not material.

Particulars of Transactions in the Last Two Years where Vendor was Promoter / Director

The Company has not purchased any property in which any of its promoters and/or directors have direct or indirect interest in any payment made thereof. The Company has no plans, at present, to acquire any running business out of the proceeds of this issue. Save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the issue, there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which

- Contracts for the purchase or acquisitions were entered into in the ordinary course of business and the contracts were not entered into in contemplation of the issue nor is the issue contemplated in consequence of the contracts or
- The amount of purchase money is not material.



FINANCIAL INDEBTEDNESS

We have availed of certain credit facilities from certain lenders. Details about credit facilities as on January 31, 2007 are as follows:

Borrowing	<i>Rs. in lacs</i> Amount
Secured Borrowings	16.82
Unsecured Borrowings	181.83
Total	198.65

The Secured borrowing of Rs. 16.82 lacs is towards the Car loan taken by the company. Further, we have received a term loan of Rs. 1,400.00 lacs from State Bank of India towards the Objects of the Issue vide its sanction letter dated June 6, 2007, the details of the same are as under:

Sanctioned Amount	Outstanding Amount	Rate of Interest	Repayment Schedule	Security
Term Loan: Rs. 1400.00 lacs	Nil	1.25% above SBAR (SBAR on date of Sanction: 12.75% p.a.)* The current effective rate works out to 14 % p.a. at monthly rests.	35 Monthly installments commencing June 2007	Primary: Hypothecation of Machinery/equipment proposed to be acquired out of bank finance Collateral: a. Equitable mortgage over the office property (undivided share of Land of 44.88 sq.ft and built-up area of 1743 sq.ft); Flat no 9A 'Gee Gee Emerald', Valluvar Kottam High Road, Nungambakkam, Chennai – 34 b. Cash collateral by way of term deposits to the tune of Rs.700 lacs. Guarantee: Personnel guarantee of Datuk K. Ketheeswaran, <i>Executive Chairman</i>

* The bank reserves the right to change the rate of interest depending on the changes in Banks PLR or otherwise.

We have accepted the above sanction vide our letter dated June 19, 2007 and the requisite documentation and agreements are being executed.

Our Unsecured Borrowings as on January 31, 2007 are as follows:

Name of the Lender	Amount Outstanding	Rate of Interest	Repayment Schedule	Security
Unsecured loans from directors of the company	181.83	Nil	On demand	Nil

REGULATIONS AND POLICIES

The Company is in the Business of Film Production, Film Distribution and Film Exhibition and also is constructing a shopping mall in Chennai, Tamil Nadu. The following are the key regulations which affect the operation of the Company.

1. Copy Rights Act, 1957

Copyright is the right of literary property as recognized and sanctioned by positive law. It is an intangible, incorporeal right granted by statute to author or originator of certain literary or artistic productions, whereby he is invested for a specified period, with the sole and exclusive privilege or multiplying copies of the same and publishing and selling them. Copyright is an exclusive right to reproduce or authorize another to reproduce artistic, dramatic, literary or musical works by Copyright Act. It also extends to sound broadcasting. Cinematograph films and television broadcasts including cable television.]

2. The Cinematograph Act, 1952

The Cinematograph Act 1952 (the “Act”) has been enacted to make provisions for the certification of cinematograph films for exhibition and for regulating exhibition of films by means of Cinematographs. The Act has authorized the Central Government to constitute a Board of Film Certification (the “Board”) in accordance with the Cinematograph (Certification) Rules, 1983 for the purpose of sanctioning films for public exhibition in India. The Board may certify films for either restricted or unrestricted exhibition, or in the alternative, may prohibit the exhibition of the film. This certificate is valid for a period of 10 (ten) years. In terms of the Act, an establishment that exhibits films would have to obtain a license for such exhibition to confirm that the establishment has complied with the provisions of the Act and that the safety standards of the establishment are adequate. Non-compliance would attract penalties in the form of imprisonment and/or monetary fines.

3. The cinematograph Film Rules, 1948

In terms of the Cinematograph Film Rules 1948 (“Rules”) a license must be obtained prior to storing of any film unless specifically exempted. Any person transporting, storing or handling films would have to ensure compliance with the provisions of the Rules pertaining to precautions against fire, restriction of access to films by unauthorized personnel, supervision of operations, minimum space between workers, storage of any loose films, minimum specifications for aisle space and exits in storage rooms, electrical installations in the storage rooms etc. The rules also specify the form and the procedure for applying for licenses, renewal of licenses, transfer of licenses, procedure for transport of film, refusal of licenses and cancellation of licenses.

4. Approval from Central Board of Film Censors

After the production is complete, which might also include outstation shooting, the film is edited and dubbed. Editing and dubbing require specialized skills and equipment which are available on a restricted scale in India. After the film is edited and dubbed, it is submitted to the Central Board of Film Censors (CBFC) for certification. The members of the DBFC, after a series of private screenings, may suggest alterations in the film. Upon such alterations being carried out, the film is ready for release.

5. **Tamil Nadu Entertainment Tax Act, 1939** has perhaps the lowest entertainment tax of 15% under the normal category of films. Further, to encourage the producers to name their movies with ‘Tamil’ names, the Government had totally exempted entertainment tax for Tamil films which carry ‘Tamil’ titles. However, the ticket pricing is capped by the government vide its order dated December 23, 2006 and further amended vide order dated December 25, 2007, wherein the maximum ticket prices have been fixed and no exhibitor can charge above the maximum ceiling mentioned.

6. **Andhra Pradesh Entertainment Tax Act, 1939** imposes entertainment tax in the range of 5% to 20% covering different categories of films.

7. The Central Sales Tax Act, The Tamil Nadu General Sales Tax Act, Tamil Nadu Shops and Establishment Act.

8. Foreign Direct Investment

FDI in all film-related activities such as film financing, production, distribution, exhibition, marketing etc. is permitted up to 100 per cent for all companies under the automatic route.



HISTORY AND CORPORATE STRUCTURE OF OUR COMPANY

a. History and Major Events

Our company was originally incorporated as CTV Entertainment Private Limited at Bangalore, Karnataka on July 12, 1989 under the Companies Act, 1956 and was converted into a public limited company and renamed as CEE (I) TV Entertainment Limited vide fresh certification of incorporation dated February 4, 2000. Subsequently the name was changed to MidValley Entertainment Limited vide fresh certificate of incorporation dated December 27, 2005. The Company shifted its registered office from Bangalore to Chennai registered vide order of the Asst. Registrar of Companies, Tamil Nadu dated February 7, 2007.

MidValley Entertainment Limited is one of the leading players in the media and entertainment industry in South India. We are engaged in the media and entertainment activity from concept to completion. Mid Valley is involved in the business of film production, distribution and exhibition. The company is headquartered in Chennai and has been focusing on South Indian entertainment through production of Tamil movies and exhibition in its chain of theatres.

Mid Valley Entertainment Limited has in past produced successful movies like Jeans, Minnale, Arasaktchi in Tamil. MidValley has also produced tele serials and has acquired territorial distribution right for movies like Pirates of the Caribbean- Dead mans chest. In the year 2006 MidValley produced Thambi, a successful Tamil movie starring Madhavan.

MidValley today produces, distributes and exhibit movies both in Indian and foreign languages. We intend to emerge as one of the leading theatre chain in southern India. We currently operate 69 theatres in distribution territories of Hyderabad and Tamil Nadu.

Milestones

Year	Activities
1989	– Year of Incorporation
2005	– Company renamed as MidValley Entertainment Limited – Set up a subsidiary in UK for entertainment business – Soft Entry into Exhibition business
2006	– The management of the company was taken over by Datuk K. Ketheeswaran group – MidValleys UK subsidiary acquired a studio thru a subsidiary named Camera Lights Action UK Limited – MidValleys UK subsidiary acquired UK based company to produce a movie Private Moments Limited – Production and Release of Tamil movie Thambi – Sale of UK subsidiary and its subsidiaries – Commencement of Production of Seena Thana No.1 a Tamil comedy movie commences – Ramping up of Exhibition business with acquisition on lease
2007	– MidValley operated 69 theatres as on June 30, 2007

Focus Areas of Business

The company focuses on the exhibition business and intends to emerge as a chain of theatres, it also is into production of south Indian movies and distributes south Indian, dubbed Hollywood and Bollywood and movies in southern territories.

b. Main Objects of the Company

- i. To establish, purchase, take on lease or hire or otherwise acquire and maintain and to sell, give on lease or hire studios, Laboratories, Cinema theatres and the like for the production, processing and printing of films or for staging dramas, dances, musical and other entertainment, education programmes or other cultural Programmes as may seem advantageous from time to time and to carry on the business of exhibiting and distributing cinematographic, films, television films, video films and other forms of entertainment and /or otherwise deal in cinematographic films, television films, all forms of entertainment, audio and video storage devices and equipments connected therewith.
- ii. To carry on the business of producers, script writers of plays, cinema, video and composers of orchestra, tape recording and reproductions of the same and to deal in all instruments, books, magazines and other accessories for the purposes aforesaid and in general to promote, carry out, undertake, sponsor or assist any activity for the promotion, growth and revival of arts and culture of all forms in whichever manner as may seem expedient from time to time.
- iii. To own and/or take on lease and/or take on hire and to manage the running of cinema theatres commercial and non commercial, films studios dance halls, musical halls, film laboratories, theatre cum-shopping complexes, commercial complexes, hotels and other places of all kinds and descriptions for entertainment, amusement, recreation and/or sports.
- iv. To carry on the business of and /or to own and /or take on lease and /or to hire and to manage the running of multiplexes, residential / commercial complexes, service apartments, hotels, resorts.

- v. To carry on the business of broadcasting both in audio and or in visual mode and to develop /work in any channel and to broadcast the same inside and/ or outside the country (ies).
- vi. To carry on the business as advertisement media, event management agency, news paper agency, news paper publisher and or news paper printer and or to act/deal/own any new/old channel(s).
- vii. To act as property and or infrastructure structure developer both inside and outside the country.

Changes in Memorandum & Articles of Association of the Company

Date of Alteration	Nature of Alteration
August 25, 1994	Increase of Authorized Capital of the Company from Rs.50,00,000/- to Rs. 4,00,00,000/-
November 2, 1998	Increase of Authorized Capital of the Company from Rs.4,00,00,000/- to Rs. 6,00,00,000/-
December 27, 1999	Increase of Authorized Capital of the Company from Rs.6,00,00,000/- to Rs. 10,50,00,000/- Change of Name from CTV Entertainment Private Limited to CEE (I) Entertainment Limited
January 31, 2000	Conversion of name of the company from Private Limited Company to Public Limited Company
December 24, 2001	Increase of Authorized Capital of the Company from Rs.10,50,00,000/- to Rs. 16,50,00,000/-
September 30, 2005	Increase of Authorized Capital of the Company from Rs.16,50,00,000/- to Rs. 20,00,00,000/-
November 11, 2005	Increase of Authorized Capital of the Company from Rs. 20,00,00,000/- to Rs. 21,50,00,000/-
December 27, 2005	Change of Name from CEE(I) Entertainment Limited to MidValley Entertainment Limited
May 9, 2006	Increase of Authorized Capital of the Company from Rs.21,50,00,000/- to Rs. 40,50,00,000/-
August 9, 2006	Alteration of the Object Clause and Adoption of new set of Articles of Association

Changes in Registered Office of the Company

The Registered Office of the Company was originally located at 106, Commerce House, 9/1, Cunningham Road, Bangalore 560 052. and was shifted to 118, First Main Road, R.T. Nagar, M.L.A. Layout, Bangalore, Karnataka-560 032 w.e.f. October 27, 1999. The company relocated to No.20, 12th Cross, First Main RMV 2nd Stage, Geddalhalli, Sanjaynagar, Bangalore, Karnataka-560 094 w.e.f. August 18, 2003 and moved to the current address 9th Floor, Gee Gee Emerald, 312, Valluvar Kottam High Road, Nungambakkam, Chennai – 600 034, Tamil Nadu, India w.e.f. November 30, 2006

c. Subsidiaries of the Issuer Company and their business

The Company has no subsidiaries as on date. However, for the period ended on April 30, 2006 the company had a subsidiary MidValley Entertainment (UK) Limited that further had 2 subsidiaries namely Camera Lights Action Limited and Private Moments Limited in UK.



SHAREHOLDERS AGREEMENT

Unigold Pacific Limited and Kiara Enigma Sdn. Bhd. present promoters entered in to Agreement dated September 9, 2005 with Metro Films Private Limited (erstwhile promoters) to acquire 13,60,000 equity shares constituting 9.90% of then paid-up capital. The agreement(s) inter-alia provided for appointment of two additional directors on the board of the company as representatives of the purchaser(s). The present management took control of the company on January 18, 2006.

Other Agreements

Except the Contracts / Agreements entered into in the ordinary course of the business carried on or intended to be carried on by the Company, the Company has not entered into any other Agreement / Contract.

Financial / Strategic Partners

There are no financial or strategic partners

OUR MANAGEMENT

a. Board of Directors

MidValley is a professionally managed organization. The Company functions under the control of a Board of Directors. The day-to-day matters are looked after by qualified key personnel, under the supervision of CEO and Director who reports to the Executive Chairman.

Name, Designation, Age, Address, Occupation and Nationality	Date of Appointment (DoA) and Expiry of Current Term (EoCT)	Qualification	Other Directorship	Compensation for the period May 1, 2005 to April 30, 2006
<p>Datuk K. Ketheeswaran <i>Executive Chairman</i> Age: 46 years S/o. Mr. K Kanagarathnam Address: 167, Jalan Cinta Alam, Country Heights, Kajang Selangor, 43000, Malaysia. Occupation: Business Nationality: Malaysian DIN: 01410448</p>	<p>DoA: January 18, 2006 <i>(Designated and Appointed as Executive Chairman w.e.f. January 18, 2007)</i> EoCT: April 16, 2009</p>	<p>B.Sc.</p>	<p><u>In India:</u></p> <ul style="list-style-type: none"> • Nil <p><u>Abroad:</u></p> <ul style="list-style-type: none"> • Allegro Equity (M) Sdn Bhd. • Multi Vest Resources Berhad, <i>Executive Deputy Chairman</i> • Global International Ventures Group Limited • Global Motion Pictures & Ventures Pte. Ltd. • Unigold Pacific Limited • Kiara Enigma Sdn Bhd. • Benta Plantations (Perak) Sdn. Bhd. • Innobiovest Sdn. Bhd. • Megah Medi Equipments Sdn. Bhd. • Megah Pharma & Vaccines (M) Sdn. Bhd. • Peus Emas Utilities Sdn. Bhd. 	<p>Nil</p>
<p>Mr. R. Chandrasegaran <i>CEO and Director</i> Age: 48 years S/o. Mr. Ramasamy Address: 7, Persiaran Cinta Sayang, Kelab Golf Cinta Sayang, Sungai Petani, Kedah, 08000 Malaysia Occupation: Service Nationality: Malaysian DIN: 01418077</p>	<p>DoA: January 18, 2007 EoCT: April 16, 2009</p>	<ul style="list-style-type: none"> • Associate, ICA, Malaysia • MDP – Asian Institute of Management, Maila 	<p><u>In India:</u></p> <ul style="list-style-type: none"> • Nil <p><u>Abroad:</u></p> <ul style="list-style-type: none"> • ABS Plantations Berhad • RCH Consultancy Sdn. Bhd. 	<p>N.A.</p>
<p>Dato' Shamsir Bin Omar <i>Non Executive, Non-Independent Director</i> Age: 72 years S/o. Mr. Omar Address: No.57, Jalan Setiakasih Sembilan, Bukit Damansara, Kuala Lumpur, 50490, Malaysia. Occupation: Business Nationality: Malaysian DIN: 01445674</p>	<p>DoA: January 18, 2006 Liable to retire by rotation</p>	<ul style="list-style-type: none"> • Fellow, ICAA, Australia • Member, Malaysian Institute of Accountants 	<p><u>In India:</u></p> <ul style="list-style-type: none"> • Nil <p><u>Abroad:</u></p> <ul style="list-style-type: none"> • Unigold Pacific Limited • Benta Plantations (Perak) Sdn Bhd. • Tanah Emas Corporation Berhad 	<p>Nil</p>
<p>Mr. Sudhir Kumar Jena <i>Non Executive, Independent Director</i> S/o. Late Sri Dinamani Jena Age: 44 years Address: 8A Parkview Street, 2nd Floor, Srinivasa Avenue, R. A. Puram, Chennai – 600 028. Occupation: Practicing CA Nationality: Indian DIN: 00374925</p>	<p>DoA: May 9, 2006 Liable to retire by rotation</p>	<p>FCA</p>	<ul style="list-style-type: none"> • Uniply Industries Limited • Teamsec Consultancy Services Private Limited 	<p>Nil</p>



Name, Designation, Age, Address, Occupation and Nationality	Date of Appointment (DoA) and Expiry of Current Term (EoCT)	Qualification	Other Directorship	Compensation for the period May 1, 2005 to April 30, 2006
Mr. Narayanaswami Ramji <i>Non Executive, Independent Director</i> Age: 63 years S/o V Narayanaswami Address: S-3, Madhuram Apartment, 25/13, 2nd Street, Postal Colony, Chennai – 600 033. Occupation: Retired Nationality: Indian DIN: 01452491	DoA: May 9, 2006 Liable to retire by rotation	I.A.S (Retired)	<ul style="list-style-type: none"> • Nil 	Nil
Mr. R. Nagrajan <i>Non Executive, Independent Director</i> Age: 69 years S/o. Raghaviyar Subramanian Address: U-22, Tenth Street, Anna Nagar, Chennai 600 040. Nationality: Indian Occupation: Retired DIN: 00514981	DoA: January 22, 2007 Liable to retire by rotation	B.Com.	<ul style="list-style-type: none"> • Alagendran Finance Limited • Alangendran Benefit Fund Ltd. • Corporate Advisory Group Private Limited 	Nil

Brief Profile of Directors

1. **Datuk Ketheeswaran, Executive Chairman**

Datuk K. Ketheeswaran aged 46 years is the Executive Chairman of MidValley Entertainment Ltd. In 1996, K. Ketheeswaran was conferred the Darjah Setia Negeri Sembilan (D.S.N.S.) which carries the title “Dato” by D.Y.M.M. Pemangku Yang Di Pertuan Besar of Negeri Sembilan Darul Khusus, Malaysia. Subsequently, in June 2003, he was conferred the prestigious Panglima Jasa Negara (P.J.N.) by Yang di-Pertuan Agong Tuanku Syed Sirajuddin Syed Putra Jamalullail on His Royal Highness’ of Malaysia 60th Birthday celebration, which carries the title “Datuk”.

Datuk K. Ketheewaran has served as The President of the Malaysian Associated Indian Chambers of Commerce & Industry (MAICCI) for two consecutive terms from September 2000 to September 2004. MAICCI is a national trade organization representing the Malaysian Indian business community. During the same period, he was the Vice President of NCCIM (National Chamber of Commerce and Industry, Malaysia), Council member of National Economic Action Council, which is chaired by the Prime Minister of Malaysia. Further Datuk K. Ketheeswaran has held several positions, the most important ones being:

- Chairman-Malaysia-India Business Council
- Member - Malaysia-China Business Council
- Member - Domestic Trade Committee of Malaysian Indian Congress

Datuk K. Ketheeswaran is Executive Deputy Chairman of Multi Vest Resources Berhad, a limited liability listed company in Malaysia, incorporated in 1923, Multi Vest Resources Berhad is engaged in the business of cultivation and processing of palm oil and plantation in Malaysia and Indonesia.

Datuk K. Ketheeswaran currently holds the following positions:

Deputy President - Johor Indian Chamber of Commerce and Industry

Member- ASEAN-India Business Council

Member - Asian Strategy Leadership Institute (ASLI) Corporate Malaysia Roundtable

2. **R. Chandrasegaran, CEO, Director**

Mr. R. Chandrasegaran, Chief Executive Officer and Director, aged 48 years, is Graduate and Associate member of Institute of Cooperative Auditors, Malaysia and has done an Advanced Management Development Programme at Asian Institute of Management, Manila. He has more than twenty five years of experience in Auditing, Consulting and Mergers & Acquisitions. Mr. Chandrasegaran joined MidValley in April 2006 as President – Operations and was co-opted to the board as CEO and Director in January, 2007.

3. Dato' Shamsir Bin Omar, Non Executive Non-Independent Director

Dato' Shamsir, a Chartered Accountant, commenced his accounting and auditing training with Price Waterhouse & Co, Melbourne, Australia in 1955. He completed his studies and training in 1960 and became a member of the Institute of Chartered Accountants in Australia (ICAA). He commenced his career in the service of the Malaysian Government in August 1960 and in a span of 8 years became the Accountant General of Malaysia a post he held for 22 years until his retirement in July 1989. He is also a member of the Malaysian Institute of Accountants. He is having vast experience of more than four decades in banking, finance and industry. Currently he is chairman of Shamsir Jasani Grant Thornton an Accounting firm in Malaysia and is the major driving force of the firm.

4. Sudhir Kumar Jena, Non Executive, Independent Director

Mr. Sudhir Kumar Jena aged 44 years is a Chartered accountant by profession. He has experience of more than 18 years in banking and finance.

5. Narayanaswamy Ramji, Non Executive, Independent Director

Mr. Ramji aged 63 years is a retired I.A.S Officer. He has worked in many positions in the Central and State Governments before retiring as chief secretary of the State of West Bengal.

6. Mr. R. Nagarajan, Non Executive, Independent Director

Mr. R. Nagarajan aged 69 years is a graduate in commerce. He has been in the banking industry for almost four decades and retired as General Manager of Bank of India in 1998 and is currently a consultant and domain specialist in banking services to a few Indian corporates.

Relationship between Directors of the Issuing Company

Datuk K. Ketheeswaran and Dato Shamsir bin Omar are representative of the Promoter company on board of MidValley Entertainment Limited. No other directors of our company are related to each other.

Details of Borrowing Powers

Vide a resolution passed at the Extra Ordinary General Meeting of the Company held on August 9, 2006, consent of the members of the Company was accorded to the Board of Directors of the Company pursuant to Section 293(1)(d) of the Companies Act, 1956 for borrowing from time to time any sums of money which together with money already borrowed by the company shall not exceed in the aggregate at any time Rs. 100.00 crores irrespective of the fact that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate for the time being of paid up share capital of the company and its free reserves.

b. Compensation of Managing Directors/Whole time Directors.

Terms of Appointment & Compensation of Whole time Director/Managing Director

Name: Datuk K. Ketheeswaran

Designation: *Executive Chairman*

Tenure of Contract: Datuk K. Ketheeswaran was co-opted to Board on January 18, 2006 as a director of the company. W.e.f. January 18, 2007 he was appointed for a period till April 16, 2009. The same was approved in EGM held on January 24, 2007. The company has applied for appointment of Datuk K. Ketheeswaran vide to Central Government for approval vide application filed on April 13, 2007 however it has not yet obtained the necessary permission.

Remuneration:

A) SALARY

Rs. 1,00,000 p.m. w.e.f. January 18, 2007

B) PERQUISITES (including allowances)

1. Personal Accident Insurance as per rules of the company
2. Fees for club, subject to a maximum of 2 clubs excluding admission and life membership fees
3. Sitting fees for attending the meeting of the board of director
4. Reimbursement of telephone charges of the director
5. Such other allowances and perks, benefits and amenities as may be provided by the company to other senior executives from time to time subject to the provisions of the companies act, 1956.

For the purpose of calculating the ceiling perquisites shall be evaluated as per income tax rules wherever applicable and in absence of any such rule the same shall be evaluated at actual cost.

The above said remuneration and perquisites shall be subject to the ceiling laid down in sections 198, 309 and other applicable provisions as may be amended from time to time.



Minimum remuneration: In the event of loss, absence or inadequacy of profits in any financial year during the currency of tenure of Mr. R. Chandrasegaran the remuneration aforesaid shall be the minimum remuneration payable to them.

Name: R. Chandrasegaran

Designation: *CEO, Director*

Tenure of Contract: April 17, 2006 for tenure of three years liable to retire by rotation. Mr. R. Chandrasegaran has been opted to the Board w.e.f. September 25, 2006. The same was approved in EGM held on January 24, 2007. The company has applied for appointment of Datuk K. Ketheeswaran vide to Central Government for approval vide application filed on April 13, 2007 however it has not yet obtained the necessary permission.

Remuneration:

A) SALARY

Rs. 70,000 p.m. w.e.f. January 18, 2007

B) PERQUISITES

1. Housing:

- i. The expenditure incurred by the company on hiring furnished
 - ii. Accommodation will be subject to 60% of the salary
 - iii. The expenditure incurred by the company on gas, electricity and water will be evaluated as per Income Tax Rules, 1962
 - iv. Perquisites in the form of furniture, furnishings and other utilities in accordance with the rules of the company, the value of which will be evaluated as per Income Tax Rules 1962
 - v. Where the company does not provide accommodation, house rent allowance may be provided in accordance with (i) above.
 - vi. Where accommodation in a company owned house is provided the company will charge 10% of the salary by way of rent.
2. Personal accident insurance as per rules of the company
 3. Fees for club subject to maximum of 2 clubs excluding admission and life membership fees.
 4. Sitting fee for attending the meeting of the board or committee thereof as applicable to other directors.
 5. Provision of telephone at the residence of Director and CEO
 6. Such other allowances, perquisites, benefits and amenities as may be provided by the company to other senior executives from time to time subject to the provisions of the companies act, 1956.

For the purpose of calculating the ceiling perquisites shall be evaluated as per income tax rules wherever applicable and in absence of any such rule the same shall be evaluated at actual cost.

The above said remuneration and perquisites shall be subject to the ceiling laid down in sections 198, 309 and other applicable provisions as may be amended from time to time.

Minimum remuneration: In the event of loss, absence or inadequacy of profits in any financial year during the currency of tenure of Mr. R. Chandrasegaran the remuneration aforesaid shall be the minimum remuneration payable to them.

Note: In compliance with Clause 49 of the Listing agreement, Datuk K. Ketheeswaran and Mr. Chandrasegaran have waived the right to receive sitting fees for attending the meeting of the board of directors.

Non-Whole time Directors

Non-executive Directors are currently paid sitting fees of Rs. 1,000/- for attending each meeting of the Board and Rs. 1,000/- for attending each meeting of the committee thereof.

c. Compliance with Corporate Governance

Corporate governance refers to a combination of regulations, procedures and voluntary practices that enable companies to maximize shareholder's value by attracting financial and human capital and efficient performance. MidValley believes that good corporate governance contemplates that corporate actions balance the interest of all shareholders and satisfy the tests of accountability and transparency.

Company's Philosophy on Corporate Governance

The Board of Directors of MidValley Entertainment Limited committed to ensure that the highest standards of corporate governance are implemented and practiced in the company as an integral part of discharging its responsibilities to protect and enhance shareholders' value. The Board understands that effective corporate management and control (corporate governance) today are almost as important for investors' decision as the economic performance of a company or that of its

share. The Company continuously monitors developments in the area of corporate governance, and leads in developing and implementing best corporate governance practices.

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

i. Composition of Board of Directors

The Board of Directors of the Company consists of 6 (six) directors and has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Accordingly not less than 50% of the Board of Directors comprises of non-executive and independent Directors. The non-executive directors on the board of the Company are four out of which three are independent directors.

Sr. No.	Name of the Director	Status*	Date of Expiry of Terms
1.	Datuk K. Ketheeswaran	Executive Chairman, Promoter	April 16, 2009
2.	Mr. R. Chandrasegaran	CEO, Director	January 18, 2009
3.	Dato Shamsir Bin Omar	Non-Executive and Non-Independent Director	Retirement by rotation
4.	Mr. Sudhir Kumar Jena	Non-Executive and Independent Director	Retirement by rotation
5.	Mr. Narayanaswami Ramji	Non-Executive and Independent Director	Retirement by rotation
6.	Mr. R. Nagarajan	Non-Executive and Independent Director	Retirement by rotation

* As per Clause 49 of the Listing Agreement

ii. Audit Committee

Audit Committee is constituted by Board of Directors consist of 3 directors, represented by 2 Non-Executive Independent Director and 1 Executive Director. The Audit Committee provides directions to and reviews functions of the Accounts Department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal MIS reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts will be reviewed by the Audit Committee, prior to their presentation to the Board along with the recommendations of the Audit Committee. Besides, Audit Committee will be authorized to exercise all such powers as are required under the amended Clause 49 of the Listing Agreement.

The Audit committee was constituted on March 14, 2007. The members of the Audit Committee are:

Sr. No	Name of the Director	Designation in committee	Nature of Directorship
1.	Mr. Sudhir Kumar Jena	Chairman	Non-Executive, Independent
2.	Mr. R.Chandrasegaran	Member	Executive
3.	Mr. R. Nagarajan	Member	Non-Executive, Independent

The scope of the Audit Committee in companies is defined under Clause 49 of the Listing Agreement dealing with Corporate Governance and the provisions of the Companies Act, 1956.

- A. The Audit Committee shall have the following powers:
1. To investigate any activity within its terms of reference
 2. To seek information from any employee
 3. To obtain outside legal other professional advice
 4. To secure attendance of outsiders with relevant expertise, if it considers necessary
- B. The role of the audit committee shall include the following:
1. Over sight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
 2. Recommending to the Board, the appointment, re-appointment and, if required, the Replacement or removal of Statutory Auditor and fixation of audit fees.
 3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
 4. Reviewing with the management, the annual financial statements before Submission to the Board for approval with particular reference to;
 - Matters required to be included in the Directors responsibility statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.



- Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting policies and practices and reasons for the same
 - Significant adjustments made in the financial statement arising out of the audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of related party transactions.
 - Qualifications in draft audit party transactions.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
 6. Reviewing, with the management the performance of statutory and internal auditors, adequacy of internal control system.
 7. 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.
 8. Discussion with internal auditors and significant findings and follow up there on
 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud of irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern
 11. To look into the reasons for substantial defaults in the payment to the depositors debenture holders shareholders (in case on non payment of declared dividends) and creditors.
 12. To review the functioning of the Whistle Blower Mechanism, if and when introduced.
 13. Carrying out such other function as may be specifically referred to the committees by the Board of Directors of the Company.
 14. To review the following information:
 - The management discussion and analysis of financial condition and results of operations.
 - Statement of significant related party transactions(as defined by the Audit Committee), submitted by management;
 - Management letters/letters of internal control weaknesses issued by statutory auditors;
 - Internal audit reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of the chief internal Auditor.
 15. Reviewing the financial statements and in particulars the investments made by the unlisted subsidiaries of the company.

iii. Remuneration Committee

The Remuneration Committee constituted on March 14, 2007. The members of the Remuneration Committee are:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1.	Mr. R. Nagarajan	Chairman	Non-Executive, Independent
2.	Mr. Sudhir Kumar Jena	Member	Non-Executive, Independent
3.	Narayanaswami Ramji	Member	Non-Executive, Independent

The Remuneration committee has been constituted to recommend/review remuneration of Directors and key Managerial Personnel based on their performance and defined assessment criteria. The remuneration policy of the company is directed towards rewarding performance, based on review of achievements on a periodic basis. The remuneration policy is in consonance with the existing industry practice.

The board has set up a remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment. To avoid conflicts of interest, the remuneration committee, which would determine the remuneration packages of the executive directors. It comprises of at three directors, all of whom are non-executive directors the chairman of committee being an independent Director.

iv. Share Transfer and Shareholder's Grievance Committee

The Share Transfer and Shareholder's grievance Committee originally constituted on May 9, 2006 was reconstituted on March 14, 2007. The members of the Remuneration Committee are;

Sr. No.	Name of the Director	Designation	Nature of Directorship
1.	Mr. R. Nagarajan	Chairman	Non-Executive, Independent
2.	Mr. R. Chandrasegaran	Member	Executive, Non- Independent
3.	Mr. Narayanswamy Ramji	Member	Non-Executive, Independent

The role of the above committee shall include the following:

1. The committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the transfer of securities of the Company.
2. The committee also looks, into redressal of shareholders complaints related to transfer of shares.
3. On receipt of balance sheet, non-receipt of declared dividends, etc. The committee oversees performance of the Registrars and Transfer Agents of the Company and Recommends measures for overall improvement in the quality of investor services. The committee also monitors the implementation and compliance of the Company's code of conduct for prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.
4. The Board has delegated the power of approving transfer of securities to the Directors and the Company Secretary.

v. IPO Committee

The Board has formed an IPO committee to look into various matters pertaining to the proposed IPO on March 14, 2007.

The members of the IPO Committee are:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1.	Datuk K. Ketheeswaran	Chairman	Executive, Promoter
2.	Mr. R. Chandrasegaran	Member	Executive, Non-Independent
3.	Mr. Sudhir Kumar Jena	Member	Non-Executive, Independent

The role of the above committee shall include the following:

1. Preparation of the Prospectus: The committee will discuss on the requirements and supply information to the Lead Managers for the preparation of the Prospectus.
2. Co-ordination for the submission of due diligence report.
3. Submitting the report to the Board of Directors on the progress of the IPO
4. Taking necessary action and decisions for the submission of DRHP and filing Red Herring Prospectus with ROC.

vi. Compliance with Listing Agreement

The Company in terms of this Draft Red Herring Prospectus intends to list its equity shares on BSE and NSE and has complied with the requirements under the respective Listing Agreement of the above-mentioned stock exchanges. Further, we are in compliance with clause 49 of the listing agreement to the extent applicable to a company seeking listing for the first time.

d. Shareholding of the Directors

None of the directors of the company hold any shares in the company. However, Datuk K. Ketheeswaran controls the company thru the promoter companies as under:

Sr. No.	Name of the Company	Relationship	No. of Shares	% of Share Capital
1.	Unigold Pacific Limited	Promoter Company	4862958	18.96%
2.	Global Motion Pictures and Ventures Pte Ltd.	Promoter Company	5,612,752	21.88%
3.	Kiara Enigma Sdn. Bhd.	Promoter Company	2,212,000	8.62%
4.	Global International Ventures Group Limited	Promoter Group	116,097	0.45%
	Total		4,862,958	49.91%

Qualification Shares required to be held by Directors

Directors are not required to hold any qualification shares.

e. Interests of Directors (Other than Promoter Directors)

All the directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The directors may also be deemed to be interested to the extent of:

- a. The shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/member respectively. The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any company in which they are directors/members of, to firms in which they are partners.
- b. Remuneration of Managing Director/ Executive Directors / Whole time Directors
- c. Related Party Transactions mentioned on page [●] of this Draft Red Herring Prospectus

Further, The Articles of Association provide that the Directors and officers shall be indemnified by the Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.



The Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft Red Herring Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them other than contracts in the normal course of business and being permitted as per the current rules and regulations governing the same.

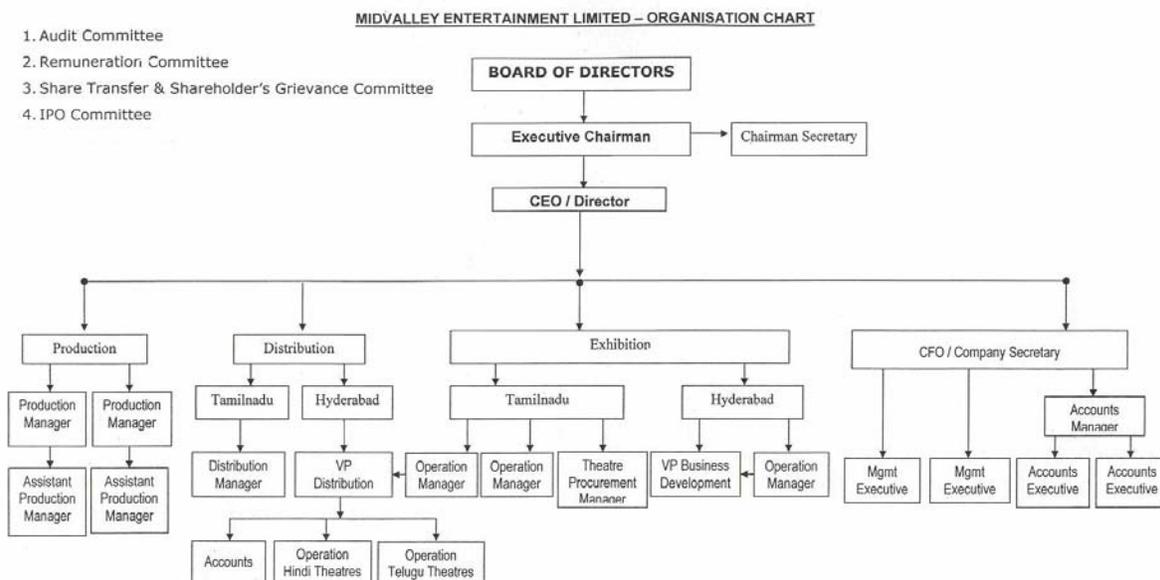
Changes in the Board of Directors in the last 3 years

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

Name	Date of Appointment	Date of Cessation	Reason for resignation/Remarks
Mr. K.Venkatasubramanian	October 27, 1999	February 25, 2005	Resigned
Mr. S.K. Jayaraj	November 3, 2003	October 29, 2005	Resigned
Mr. Ponnuswamy Manohar	November 3, 2003	October 29, 2005	Resigned
Mr. Christie Cherian	November 3, 2003	October 29, 2005	Resigned
Mr. Suriyaraj Kumar	January 23, 2005	June 2, 2005	Appointed / Resigned
Mr. Amir Ali Kadar Sha	August 27, 2005	March 14, 2007	Appointed / Resigned
Mr. Haji Ali	August 27, 2005	January 18, 2006	Appointed / Resigned
Dr. J. Murali Manohar	August 8, 1994	January 18, 2006	Resigned - Change of Management
Ms. Sunanda Murali Manohar	July 12, 1989	January 18, 2006	Resigned - Change of Management
Datuk K. Ketheeswaran	January 18, 2006	-	Appointed
Dato Shamsir bin Omar	January 18, 2006	-	Appointed
Mr. Sudhir Jena	May 9, 2006	-	Appointed
Mr. Narayanswamy Ramji	May 9, 2006	-	Appointed
Mr. R. Chandrasegaran	September 25, 2006	September 26, 2006	Appointed / Resigned
Mr. R. Chandrasegaran	January 18, 2007	-	Appointed
Mr. R. Nagarajan	January 22, 2007	-	Appointed

f. Management Organization Chart

Yet to receive the finalized Management organization chart that on a no-name basis and includes all key managerial personnel.



g. Key Management Personnel

The key managerial personnel and their designations are as under:

Amount Rs. in lacs

Sr. No.	Name	Age	DOJ	Designation	Salary (Apr-06 - Mar 07)	Responsibility	Qualification	Overall Experience	Previous Employment
1	R. Chandrasegaran#	48	17-Apr-06	CEO and Director	8.03	Overall Management	ICA(M), AMDP	29	Aljeffri Sdn. Bhd, Malaysia
2	S. Narayanaswamy*	46	19-Jun-06	CFO and Company Secretary	3.95	Accounts, Finances and Company Secretary	ACA, ACS	22	VGN Enterprises Pvt. Ltd.
3	N. Balwanth Singh	39	1-Jun-06	Vice President-Business Development	4.40	Business Development	B.A	13	Grandslaam Network
4	S. Tamilanban	35	2-Jan-07	Manager - Operations	0.69	Operations - Systems Design and Implementation	B.com., DBM, MBA	16	LIPI Marketing Pvt. Ltd.
5	N. Ravishanker Laal	41	1-Feb-06	Manager - Operations	2.04	Operations	M.Com	21	Shine Global Houseware Ltd.

Mr. R. Chandrasegaran initially was initially on April 17, 2006, appointed as President (Operations) of the company, later on January 18, 2007 he was co-opted to the Board and re-designated as CEO, Director.

* Mr. S. Narayanaswamy was initially appointed on June 19, 2006 as CFO of the company, later on March 1, 2007, he was provided with additional charge of the Secretarial department.

Brief profile of the key management personnel:

The day-to-day operations of the company are managed by the professionals headed by CEO. A brief profile of the key management personnel is as under:

Mr. R. Chandrasegaran (Chief Executive Officer, Director)

Mr. R. Chandrasegaran, Chief Executive Officer and Director, aged 48 years, is a graduate and associate member of Institute of Cooperative Auditors and has done an Advanced Management Development Programme at Asian Institute of Management, Manila. He has more than twenty five years of experience in Auditing, Consulting and Mergers & Acquisitions.

Mr. S. Narayanaswamy (CFO, Company Secretary)

Mr. S. Narayanaswamy, Chief Financial Officer and Company Secretary, aged 46 years, is an Associate Member of Institute of Chartered Accountants of India and The Institute of Company Secretaries of India. He has around 20 years of experience in the field of Auditing, Finance and Secretarial.

Mr. N. Balwanth Singh, Vice President - Business Development

Mr. N. Balwanth Singh, Vice President - Business Development, aged 39 years, is a graduate in Arts from Osmania University. He has more than 13 years of experience in the field of event management, theatre maintenance and distribution of movies.

Mr. S. Tamilanban, Manager - Operations

Mr. S. Tamilanban, Manager - Operations aged 35 years, is Bachelor of Commerce and has Master of Business Administration from Madras University. He has around 15 years of experience in areas of Accounts and Finance.

Interest of key managerial personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any.

The persons whose names appear as key management personnel are on the rolls of the Company as permanent employees. The company has acquired on sub-lease certain theatres from Mr. Balwanth Singh a key managerial personnel. There is no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any person was selected as director or member of senior management. However, Datuk K. Ketheeswaran and Dato Shamsir bin Omar are representative of the Promoter company on board of MidValley Entertainment Limited. None of the key managerial



personnel have any relationship with the promoters or directors of the company. Also, Datuk K. Ketheeswaran (Executive Chairman) is promoter of the company.

Shareholding of the Key Managerial Personnel:

None of the Key Managerial Personnel hold any shares of the Company as on the date of this Draft Red Herring Prospectus.

Bonus or Profit Sharing Plan for the Key Managerial Personnel:

Except the payment of salaries and perquisites, the company provides other benefits to the employees that are uniform to all the employees of the company and performance based ex-gratia payments. The Company does not have any profit sharing or stock option plans for any of its employees.

Loans to key managerial personnel

There are no loans outstanding against key managerial personnel as on March 31, 2007.

Changes in the Key Managerial Personnel in the last one year:

Except for the following, there have been no changes in the Key Managerial Personnel of the Company in the last one year as on June 30, 2007:

Sr. No.	Name	Designation	Date of Joining	Date of Leaving	Remarks
1.	Alfred Sunder	Vice President – Operations	October 9, 2006	December 17, 2006	Resignation / Resignation
2.	S. Tamilanban	Manager – Operations	January 2, 2007	-	Appointment
3.	K. Shekar	Company Secretary	January 18, 2006	February 28, 2007	Appointment / Resignation
4.	S. Subramaniyan	Vice President- Operations – Business Development	January 25, 2007	June 6, 2007	Appointment / Resignation

h. Employees

The total manpower directly employed by the Company as on May 31, 2007 is 52 personnel. Distribution of manpower is as follows:

Particulars	No. of Employees
Corporate Office	
Managerial Personnel	7
Administrative Staff	20
Total (A)	27
Branches	
Managerial Personnel	3
Administrative Staff	22
Total (B)	25
Grand Total (A) + (B)	52

i. Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

The Company has no Employees Stock Option Scheme/ Employee Stock Purchase Scheme.

j. Other Benefits to the Officers of the Issuer Company

Except the payment of salaries and perquisites, the company provides other benefits to the employees that are uniform to all the employees of the company and performance based ex-gratia payments.

PROMOTERS/PRINCIPAL SHAREHOLDERS

a. Details of Promoters being Individuals:

Name: Datuk K. Ketheeswaran

Designation: *Executive Chairman*



Permanent Account Number	AUZPK2273Q
Passport Number	A10772993 Issued by Malaysia valid thru July 11, 2012
Voter ID Number	N.A.
DIN	01410448
Driving License Number	N.A.
Bank Account No.	1384000600088638 (NR) at Punjab National Bank, Plot No. 4055, 4 th Main Road, Anna Nagar, Chennai, Tamil Nadu, India

There are no defaults in meeting any statutory/bank/institutional dues and no proceedings have been initiated for economic offences. There are no litigations, disputes towards tax liabilities or criminal / civil prosecution / complaint against Datuk K. Ketheeswaran other than as mentioned in this Draft Red Herring Prospectus. For the profile of the Promoter please refer to page [●]

Declaration:

It is confirmed that Permanent Account Number, Bank Account details and Passport Number of Datuk K. Ketheeswaran is being submitted to the Stock Exchanges on which Equity Shares are proposed to be listed, at the time of filing of Draft Red Herring Prospectus with them.

b. Details of Promoters being Companies

1. Unigold Pacific Limited

The Company was incorporated on June 17, 2005 in Federal Territory of Labuan, Malaysia under the Offshore Companies Act, 1990 of Malaysia. The Registered Office of the Company is located at Level 6 (D), Main Office Tower, Financial Park, Jalan Merdeka, 87000, Labuan F.T Labuan, Malaysia. The authorised share capital of the company is US \$10,000,000 divided into 5,000,000 ordinary shares of US\$1.00 each and 5,000,000 Redeemable Preference shares of US \$1.00 each. The company is an Investment holding company and is a Promoter of MidValley Entertainment Limited. Datuk K. Ketheeswaran is the promoter of the Company.

Company Registration Number	LL04869
Address of the Registrar of Companies	Labuan Offshore Financial Services Authority Level, 17, Main Office Tower, Financial Park Complex, Jalan Merdeka, 87000, Labuan F T., Malaysia
Permanent Account Number	AAACU9049C
Bank Account Number and the Address of the Bank	A/c No. 1384001300000050 Punjab National Bank, Anna Nagar, Plot Number 4055, 4 th Main Road, Anna Nagar, Chennai, Tamil Nadu, India.

Board of Directors

The Board of Directors of the Company is as follows:

1. Datuk K. Ketheeswaran
2. Dato' Shamsir Bin Omar
3. Dato' Nik Mohd Amin Bin Nik Abu Bakar

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	Datuk K. Ketheeswaran	2	100.00
	Total	2	100.00

The entire redeemable preference shares capital of US\$ 1,500,000 is held by Datuk K. Ketheeswaran.

Financial Highlights

The management certified financial highlights since incorporation to the end of the financial period up to December 31, 2006 is as follows:

Particulars	In US\$	
	January 1, 2006 to December 31, 2006	June 17, 2005 to December 31, 2005
Equity Share Capital	2.00	2.00



Particulars	January 1, 2006 to December 31, 2006	June 17, 2005 to December 31, 2005
Redeemable Preference Share Capital	1,500,000.00	0.00
Reserves (Excluding Revaluation Reserve)	(9885.88)	(3859.66)
Net Worth*	14,90,116.12	(3857.66)
Revenue	0.00	0.00
PAT	(6026.22)	(3859.66)
EPS (\$)	(3013.11)	(1929.83)
NAV Per Share (\$)	(4,941.94)	(1,928.83)
Face Value Per Share (\$)	1.00	1.00

* Net Worth = Equity Share Capital + Redeemable Preference Share Capital + Reserves

There has been no change in the management of the Company since inception. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations, disputes towards tax liabilities or criminal / civil prosecution / complaint against the promoters other than as mentioned in this Draft Red Herring Prospectus.

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

2. Global Motion Pictures & Ventures Pte Ltd

The Company was incorporated on September 13, 2005 in federal territory of Labuan, Malaysia under the Offshore Companies Act, 1990 of Malaysia. The Registered Office of the Company is located at Level 6 (D), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, Labuan F.T. Malaysia. The authorised share capital of the company is US \$ 10,000,000 to be divided into 5,000,000 ordinary shares of \$1.00 each and 5,000,000 Redeemable Preference Shares of \$1.00 each. The Registration number of the Company is LL04998. The company is an Investment holding company and is a Promoter of MidValley Entertainment Limited. Datuk K. Ketheeswaran is the promoter of the Company.

Company Registration Number	LL04998
Address of the Registrar of Companies	Labuan Offshore Financial Services Authority Level, 17, Main Office Tower, Financial Park Complex, Jalan Merdeka, 87000, Labuan F T., Malaysia
Permanent Account Number	AACCG8672K
Bank Account Number and the Address of the Bank	A/c No. 1384001300000069 Punjab National Bank, Anna Nagar, Plot Number 4055, 4 th Main Road, Anna Nagar, Chennai, Tamil Nadu, India

Board of Directors

The Board of Directors of the Company is as follows;

1. Datuk K. Ketheeswaran
2. K. Selveswaran

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	Datuk K. Ketheeswaran	3	100.00
	Total	3	100.00

The entire redeemable preference shares capital of US\$ 1,000,000 is held by Datuk K. Ketheeswaran.

Financial Highlights

The management certified financial highlights since incorporation to the end of last financial period ended December 31, 2006 is as follows:

Particulars	January 1, 2006 to December 31, 2006	September 13, 2005 to December 31, 2005
Share Capital	3.00	3.00
Redeemable Preference Share Capital	1,000,000.00	-
Reserves (Excluding Revaluation Reserve)	(13,372.47)	(3162.42)
Net Worth*	986,630.53	(3159.42)

in US\$

Particulars	January 1, 2006 to December 31, 2006	September 13, 2005 to December 31, 2005
Revenue	-	-
PAT	(10210.05)	(3162.42)
EPS (\$)	(3403.35)	(1054.14)
NAV Per Share (\$)	4,457.49	(1053.14)
Face Value Per Share (\$)	1.00	1.00

* Net Worth = Equity Share Capital + Redeemable Preference Share Capital + Reserves

There has been no change in the management of the Company since inception. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations, disputes towards tax liabilities or criminal / civil prosecution / complaint against the promoters other than as mentioned in this Draft Red Herring Prospectus.

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

3. Kiara Enigma Sdn. Bhd

The Company was incorporated on August 12, 2003 at Kuala Lumpur, Malaysia under the Companies Act, 1965 of Malaysia. The Registered Office of the Company is located at 305 (Suite 1), Block E, Phileo Damansara, 9, Jalan 16/11, Off Jalan Damsnara, 46350, Petaling Jaya, Selangor, Darul Ehsan. The authorised share capital of the company is RM 5,000,000 divided into 2,400,000 equity shares of RM 1.00 each and 2,600,000 Non Cumulative Redeemable Preference Shares of RM 1.00 each. The Registration number of the Company is 624746 - V. The company was incorporated to carry on the businesses of general trading, building and contractors for structures and holding investments. The Company is a Promoter of MidValley Entertainment Limited. Datuk K. Ketheeswaran is the promoter of the Company.

Company Registration Number	624746 – V
Address of the Registrar of Companies	Companies Commission of Malaysia Tingkat 2 & 10 -18, Putra Place, 100 Jalan Putra, 50622, Kuala Lumpur
Permanent Account Number	AADCK1001F
Bank Account Number and the Address of the Bank	A/c No. 1384001300000041 Punjab National Bank, Anna Nagar, Plot Number 4055, 4 th Main Road, Anna Nagar, Chennai, Tamil Nadu, India

Board of Directors

The Board of Directors of the Company is as follows:

1. Datuk K. Ketheeswaran
2. Dato' Kamaruddin Bin Mohd Jamal
3. Tang Yow San

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1.	Datuk K. Ketheeswaran	299,999	100.00
2.	Nik Mohd Amin Bin Abu Bakar	1	0.00
	Total	3,00,000	100.00

The entire redeemable preference shares capital of RM 2,600,000 is held by Datuk K. Ketheeswaran

Financial Highlights

The Audited financial highlights since incorporation up to the end of last financial year (February – January) are as follows:

Particulars	February 1, 2006 to January 31, 2007#	February 1, 2005 to January 31, 2006	August 12, 2003 to January 31, 2005
Share Capital	300,000.00	300,000.00	300,000.00
Redeemable Preference Share Capital	2,600,000.00	0.00	0.00
Reserves (Excluding Revaluation Reserve)	(87162.65)	(9,301)	(4,098.00)
Net Worth*	2,812,837.30	290,699	2,95,902

in RM



Revenue	0.00	0.00	0.00
PAT	(77,861.20)	(5,203)	(4,098.00)
EPS (RM)	(0.26)	(0.02)	(0.01)
NAV Per Share (RM)	9.38	0.97	0.99
Face Value Per Share (RM)	1.00	1.00	1.00

#Management certified for the year ended January 31, 2007

** Net Worth = Equity Share Capital + Redeemable Preference Share Capital + Reserves*

There has been no change in the management of the Company in the last three years. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations, disputes towards tax liabilities or criminal / civil prosecution / complaint against the promoters other than as mentioned in this Draft Red Herring Prospectus.

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

Declaration

It is confirmed that a copy of Income Tax Registration Number, Bank Account details, Company Registration Number and address of the Registrar of companies where the company is registered are being submitted to the stock Exchanges on which Equity Shares are proposed to be listed, at the time of filing of Draft offer Document with them.

c. Common Pursuits

There are no common pursuits amongst MidValley Entertainment Limited and other group companies since no other entity is engaged in the line of activity in which company is engaged i.e. Entertainment and Media.

Relationship between the Promoters, Directors and Key Managerial Personnel

Except as stated otherwise, there is no relation between any Promoters, Directors and Key Managerial Personnel of the Company. Datuk K. Ketheeswaran the current Executive Chairman is a promoter of the Company, Director and ultimate beneficial shareholder. Dato Shamsir Bin Omar is a representative of Unigold Pacific Limited (a promoter) on our board.

d. Interest of Promoters

All the directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The directors may also be deemed to be interested to the extent of:

- a. The shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/member respectively. The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any company in which they are directors/members of, to firms in which they are partners.
- b. Remuneration of Managing Director/ Executive Directors / Whole time Directors
- c. Related Party Transactions mentioned on page [●] of this Draft Red Herring Prospectus

Further, The Articles of Association provide that the Directors and officers shall be indemnified by the Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.

The Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft Red Herring Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them other than contracts in the normal course of business and being permitted as per the current rules and regulations governing the same.

Particulars of nature and extent of the interest of every director in any property acquired within two years of the date of Draft Red Herring Prospectus: Save as stated in this Draft Red Herring Prospectus neither the Promoters nor the firms or companies in which they are members have any interest in the business of the Company, except to the extent of investments made by them and their group / investment companies in MidValley Entertainment and earning returns thereon. None of the Promoters or the firms or companies in which they are members has any interest in any property acquired by the Company within two years of the date of this Draft Red Herring Prospectus or proposed to be acquired by it. The promoters are also interested in the company to the extent of their shareholding, for which they are entitled to receive the dividend declared if any, by the company.

e. Payment or benefit to Promoters of the Issuer Company

Other than the salary and remuneration paid / payable to individual Promoter Director, as referred to in the section titled "Compensation to Whole Time Directors" of this Draft Red Herring Prospectus, there are no payment or benefit to promoters of the Company.

RELATED PARTY TRANSACTIONS

The details of related party transactions are as under:

Relationship Chart - May 1, 2006 to January 31, 2007

Name of the Related Party	Relationship
Unigold Pacific Limited	Company with common Director
Kiara Enigma Sdn Bhd	Company with common Director
Global Motion Pictures and Ventures Pte Ltd	Company with common Director
MidValley Entertainment Limited (UK)	Erstwhile Subsidiary
Datuk K. Ketheeswaran	Director
R. Chandrasegaran	Director

Related Party transactions for the year ended 31st January 2007

(Amount Rs. in Lacs)

Nature of Transaction	Subsidiaries - MidValley Entertainment UK	Company with Common Director			Datuk K. Ketheeswaran	R. Chandrasegaran
		Global Motion Pictures Pvt. Ltd	Kiara Enigma Sdn Bhd	Unigold Pacific Ltd		
Current Liabilities@	-	-	-	-	-	-
Investments @	-	-	-	-	-	-
Sundry Debtors @	-	-	-	-	-	-
Loans and Advances@	-	-	-	-	-	-
Loans Given	-	-	-	-	-	-
Loans Returned	-	-	-	-	-	-
Investment in Share Capital	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-
Invested by promoters in Share capital	-	251.20	150.00	398.16	-	-
Sales & Services Income	-	-	-	-	-	-
Purchase of Goods & Services	-	-	-	-	-	-
Recovery of Common Expenses	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	0.32

@closing balance

Relationship Chart - April 1, 2005 to April 30, 2006

Name of the Related Party	Relationship
Mid Valley Entertainments Limited	Subsidiary
Private Moments Limited	Subsidiary
Camera Lights Action UK Limited	Subsidiary
Dr. J. Murali Manohar	Director
Film Production Services	Company with common Director
Cross over	Company with common Director
Unigold Pacific Limited	Company with common Director
Motion Pictures Partners International Ltd	Company with common Director
Kiara Enigma Sdn Bhd	Company with common Director
Global Motion Pictures and Ventures Pte Ltd	Company with common Director
Metro film Private Limited	Company with common Director



Related Party transactions for the year ended 30th April 2006

(Amount Rs. in Lacs)

Nature of Transaction	Subsidiaries - MidValley Entertainment UK	Company with Common Director - Metro Films Pvt Ltd	Company with Common Director - Crossover Partner	Company with Common Director - Motion Pictures Partners International Ltd	Company with Common Director - Film Production Services	Director - Dr. J. Murali Manohar	Company with Common Director - Global Motion Pictures Pvt. Ltd	Company with Common Director - Kiara Enigma Sdn Bhd	Company with Common Director - Unigold Pacific Ltd
Current Liabilities@	-	-	-	-	-	54.92	-	-	-
Investments @	0.85	-	-	-	-	-	-	-	-
Sundry Debtors @	-	-	259.68	-	-	-	-	-	-
Loans and Advances@	208.99	10.00	-	-	-	59.28	-	-	-
Loans Given	-	-	-	-	-	-	-	-	-
Loans Returned	-	-	-	-	-	-	-	-	-
Investment in Share Capital	-	-	-	-	-	-	251.20	150.00	398.16
Share Application Money	-	-	-	-	-	-	-	-	-
Sales & Services Income	-	340.18	82.74	125.01	337.17	85.28	-	-	-
Purchase of goods & services	-	7.50	-	-	-	-	-	-	-
Recovery of Common Expenses	-	-	-	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	-	-	-

@closing balance

Relationship Chart – April 1, 2004 to March 31, 2005

Name of the Related Party	Relationship
Dr.J.Murali Manohar	Director
Mr.K.V.Subramaniam	Director
Cross over	Company with common Director
Mars Entertainment	Company with common Director
Motion Pictures Partners International Ltd	Company with common Director
Garuda Overseas Exports Private Limited	Company with common Director
The Film Bhawarchi Ltd	Company with common Director
The Film Backwaters Ltd	Company with common Director
The Film Take 2 Ltd	Company with common Director

Related Party transactions for the year ended 31st march 2005*(Amount Rs. in Lacs)*

Nature of Transaction	Company with Common Director - Mars entertainment	Company with Common Director - Crossover Partner	Company with Common Director - Motion Pictures Partners International Ltd	Company with Common Director - Garuda overseas Private Limited	Company with Common Director - The Film Bawarchi Ltd, The Film Backwater Ltd & The Film Take 2 Ltd	Director - K.V. Subramaniam	Director - Dr. Murali Monohar
Current Liabilities@	-	-	-	-	-	-	-
Investments @	-	-	-	-	-	-	-
Sundry Debtors @	-	-	-	-	-	-	-
Loans and Advances@	337.11	176.94	-	-	-	-	85.95
Loans Given	-	-	-	-	-	-	85.95
Unsecured loans received	-	-	-	50.47	-	-	-
Loans Accepted	-	-	370.01	-	-	-	-
Investment in Share Capital	-	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-	-
Sales & Services Income	-	-	-	-	1,300.67	-	-
Purchase of goods & services	-	-	-	-	1,284.92	-	-
Recovery of Common Expenses	-	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	6.00	-

@closing balance



Relationship Chart - April 1, 2003 to March 31, 2004

Name of the Related Party	Relationship
Dr. J. Murali Manohar	Director
Mars Entertainment	Company with common Director
G.G. Photo limited	Company with common Director
Cee TV LONDON	Company with common Director
VISION 2000	Company with common Director
Metro Film Corporation	Company with common Director
Metro Films Private Limited	Company with common Director

Related Party transactions for the year ended 31st March 2004

(Amount Rs. in Lacs)

Nature of Transaction	Company with Common Director - Mars entertainment	Company with Common Director - G.G.Photo Limited	Company with Common Director - CEE TV London	Company with Common Director - Vision 2000	Company with Common Director - Metro Films Corporation	Company with Common Director - Metro Films Pvt Ltd
Current Liabilities@	-	-	-	-	-	-
Investments @	-	-	-	9.51	-	-
Sundry Debtors @	-	-	416.59	-	-	0.20
Loans and Advances@	0.05	-	-	-	-	238.19
Loans Given	-	-	-	-	-	-
Unsecured loans accepted	-	138.10	-	-	-	-
Loans Returned	-	-	-	-	-	-
Investment in Share Capital	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-
Sales & Services Income	-	-	809.03	-	59.82	98.80
Purchase of goods & services	-	-	-	-	-	-
Recovery of Common Expenses	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-

@closing balance

CURRENCY OF PRESENTATION

In this Draft Red Herring Prospectus, all references to “Rupees” “Rs.” are to the legal currency of India, All reference to “US \$” or “U.S. Dollars” are to United States Dollars, the official currency of the United states of America. All references to “£” or “GBP” are to Pounds, the official currency of United Kingdom. All references to “€” are to Euro, the official currency of European Union. All references to “RM” or “MYR” are to Malaysian Ringgit, the Official Currency of Malaysia.

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

For the convenience of investors, as far as possible the reporting unit has been maintained as Rupees in Lacs. (Rupees in Hundred Thousands)



DIVIDEND POLICY

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

The Summary of dividends declared by MidValley Entertainment Limited is as follows:

Particulars	From 01/05/06 to January 31, 2007	April 30, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Number of Equity Shares	25653140	21025417	13742666	11750000	11750000	9850000
Face Value	10	10	10	10	10	10
Rate of Dividend (Interim / Final)	Nil	Nil	Nil	Nil	Nil	Nil
Total amount of Dividend (Rs.) (Including Tax on Dividend)	Nil	Nil	Nil	Nil	Nil	Nil

The amounts paid as dividend in past is not indicative of the company's dividend policy in the future.

SECTION V: FINANCIAL STATEMENTS

From:

VENKATESH & CO.

Chartered Accountants

“Sri Ranga”, No.151, Mambalam High Road,

T. Nagar

Chennai – 600 017

To

The Board of Directors

MIDVALLEY ENTERTAINMENT LIMITED

No.9A, Gee Gee Emerald Complex

312, Valluvar Kottam High Road

Nungambakkam

CHENNAI - 600 034.

A.

- a. We have examined the annexed financial information of MIDVALLEY ENTERTAINMENT LIMITED (formerly known as CEE TV Entertainment Limited) for the five financial years/ period ended 31st March, 2002, 2003, 2004, 2005 and 30th April 2006 and the nine months period ended on 31st January 2007, being the last date to which the accounts of the Company have been made up and audited. The financial information is based on the accounts audited by us and approved by the Board of Directors of the company for the purpose of disclosure in the Offer Document of the company in connection with the proposed Public Issue of Equity Shares of the Company.

- b. In accordance with the requirement of

i. Paragraph B of Schedule II to the Companies Act, 1956 (‘the Act’)

ii. The Securities and Exchange Board of India (Disclosure and Investor Protection) guidelines, 2000 (‘the SEBI Guidelines’) issued by the Securities and Exchange Board of India (‘SEBI’) on January 19, 2000 in pursuance to section 11 of Securities and Exchange Board of India, 1992 and related amendments and

iii. On request from the Company to carry out work in connection with the Offer Document as aforesaid, We report that the restated profits / losses of the Company for the financial years / period ended on March 31 of 2002, 2003, 2004, 2005 and April 30, 2006 and nine months period ended on January 31, 2007 are set out in **Annexure I** to this report. These profits /losses have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the accounting policies and notes thereon appearing in **Annexure IV** to this report;

We report that restated assets and liabilities of the company as at March 31 of financial year/ periods ended on 2002, 2003, 2004, 2005 and April 30, 2006 and nine months period ended on January 31, 2007, are set out in **Annexure - II** to this report, after making such adjustments / restatements and regrouping as in our opinion are appropriate and subject to the accounting policies and notes thereon appearing in **Annexure - IV** to this report;

- c. The company has not paid any dividend on equity shares in the past.

B. We have also examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report;

1. Statement of Cash Flow as appearing in **Annexure III** to this report;
2. Significant Accounting Policies and Notes to Accounts in **Annexure IV** to this report.
3. Statement of Transactions between promoters and the Associates of Promoters for the period from April 1, 2002 to January 31, 2007 appearing in **Annexure V** to this report.
4. Statement of Related parties (only for the years the Accounting Standard 18 is applicable) transactions **Annexure V** to this report;
5. Statement of Dividends as appearing in **Annexure VI** to this report;
6. Statement of Accounting Ratios as appearing in **Annexure VII** to this report;
7. Statement of Sundry Debtors as appearing in **Annexure VIII**
8. Statement of Dues from Promoters, Directors or relative of Director or Promoter as appearing in **Annexure IX** to this report;
9. Statement of Loans and Advances as appearing in **Annexure X** to this report;
10. Details of Secured Loans Outstanding as appearing on **Annexure XI** to this report;



-
11. Capitalization statement of pre-issue at April 30, 2006 and January 31, 2007, as appearing in **Annexure XII** to this report;
 12. Statement of Tax Shelter as appearing in **Annexure XIII** to this report;
 13. Statement of contingent liabilities enclosed in **Annexure XIV** to this report;
 14. Statement of Unsecured Loans as appearing in **Annexure XV** to this report;
 15. Statement of Other Income as appearing in **Annexure XVI** to this report;
 16. Statement of Qualifications and Observations in **Annexure XVII** to the report.
- a. In our opinion the financial information of the Company as stated in Para A and B above read with the significant accounting policies attached in Annexure IV to this report, after making adjustments/ restatements and regrouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the act and SEBI Guidelines.
 - b. The statement of tax benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct laws presently in force in India. The contents of this statement are based on information, explanation and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the Income Tax laws of India as of date.
 - c. These reports are intended solely for your information and for inclusion in the Offer Document in connection with the specific public offer of the Company and are not to be used, referred to or distributed for any other purpose without our prior consent.

For Venkatesh & Co.
(Chartered Accountants)

Place: Chennai
Date: June 4, 2007

(V.DASARATY)
Partner
Membership No.: 26336

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

ANNEXURE I

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month	13 month	12 month	12 month	12 month	12 month
	31-Jan-07	30-Apr-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
INCOME						
<u>Production</u>						
Export of Serials and Films	-	7.41	10.14	52.19	11.92	388.01
Income from Serials	-	-	-	20.00	37.02	13.50
Sale of Programs / Feature Films	299.00	1,282.38	1,300.67	-	78.04	-
Sale of Cassettes	-	-	-	0.05	26.57	-
<u>Distribution</u>						
Distribution of Films	937.05	-	243.84	-	225.01	273.18
Sale of Rights	-	-	0.08	868.86	148.44	196.10
<u>Exhibition</u>						
Theatre Collection	2,761.27	45.88	0.60	-	-	-
Theatre Stall Income	4.11	0.30	-	-	-	-
Theatre Slide Show Income	-	0.03	-	-	-	-
<u>Others</u>						
Other Income	1.75	4.70	9.09	-	0.32	2.31
Total	4,003.18	1,340.70	1,564.42	941.10	527.32	873.10
EXPENDITURE						
Cost of Production/ Distribution/ Purchase of Films	2,967.25	919.76	1,354.72	850.40	408.43	725.79
Administrative Expenses	56.09	61.02	107.57	35.62	47.06	83.56
Interest	1.10	1.16	14.71	21.20	39.17	36.00
Depreciation	19.14	26.76	14.98	17.94	23.65	21.62
Preliminary Expenses written off	7.70	9.50	7.74	7.74	-	-
Total	3,051.28	1,018.20	1,499.72	932.90	518.31	866.97
Adjusted Profit Before Tax and Extraordinary items	951.90	322.50	64.70	8.20	9.01	6.13
Less: Provision for Tax						
- Current Tax	314.50	116.22	26.57	0.62	0.76	0.47
- Deferred Tax	-	24.40	6.24	(21.91)	(11.82)	47.54
- Fringe Benefit Tax	-	0.66	-	-	-	-
Adjusted Profit Before Extraordinary Items	637.40	181.22	31.89	29.49	20.07	(41.88)
Add: Extraordinary Items						
- Surplus on OTS with Bank	-	88.85	-	-	-	-
- Profit on Sale of Land	-	67.08	-	-	-	-
- Profit on Sale of Subsidiary	87.92	-	-	-	-	-
Net Profit After Adjustment and Extraordinary Items	725.32	337.15	31.89	29.49	20.07	(41.88)
Balance brought forward	496.23	159.08	127.20	97.71	77.63	119.50
Less: Issue of Bonus Shares	-	-	-	-	-	-
Add: Change in Depreciation accounting	-	-	-	-	-	-
Balance Carried over to Balance Sheet	1,221.55	496.23	159.08	127.20	97.70	77.62



STATEMENT OF RESTATED ASSETS AND LIABILITIES

ANNEXURE II

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
ASSETS						
Fixed Assets:						
Gross Block	855.22	787.08	716.51	421.83	331.94	331.91
Less: Depreciation & Amortization	154.21	135.08	108.31	93.33	75.39	53.87
Net Block (A)	701.01	652.00	608.20	328.50	256.55	278.04
Investments (B) <i>(Investments in Subsidiary Company)</i>	-	0.85	-	-	-	-
Current Assets, Loans and Advances:						
Inventories	1,758.18	2,033.76	1,696.92	1,166.47	1,409.82	1,582.00
Sundry Debtors	890.54	489.68	176.94	777.61	1,064.39	746.32
Cash and Bank Balances	64.97	96.47	2.51	2.38	4.35	8.77
Loans and Advances	2,049.95	528.78	441.13	269.09	101.72	106.16
Total (C)	4,763.64	3,148.69	2,317.50	2,215.55	2,580.28	2,443.25
Liabilities and Provisions:						
Secured Loans	16.82	17.36	273.62	273.62	252.59	231.45
Unsecured Loans	181.83	51.23	76.47	198.57	199.57	294.26
Deferred Tax Liability	44.46	44.47	20.06	13.82	35.73	47.54
Current Liabilities	12.31	70.26	458.23	318.20	646.96	750.63
Provisions	497.15	135.66	29.61	10.61	9.99	9.24
Total (D)	752.57	318.98	857.99	814.82	1,144.84	1,333.12
Miscellaneous Expenditure <i>(to the extent not w/off)</i>	47.94	37.98	23.27	30.97	38.71	37.45
NET ASSETS (A+B+C-D)	4,760.02	3,520.54	2,090.98	1,760.20	1,730.70	1,425.62
REPRESENTED BY						
Share Capital <i>(Issued, Subscribed and paid up)</i>	2,565.31	2,102.54	1,374.27	1,175.00	1,175.00	985.00
Reserves and Surplus						
- Share Premium	973.16	921.77	557.63	458.00	458.00	363.00
- Surplus as per P & L a/c.	1,221.55	496.23	159.08	127.20	97.70	77.62
NET WORTH	4,760.02	3,520.54	2,090.98	1,760.20	1,730.70	1,425.62

RESTATED CASH FLOW STATEMENT

ANNEXURE III

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month	13 month	12 month	12 month	12 month	12 month
	31-Jan-07	30-Apr-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
Cash Flows From Operating Activities						
Net Profit Before Taxation & Extraordinary Items	951.90	322.50	64.70	8.20	9.01	6.13
Adjustments For:						
Depreciation	19.13	26.76	14.98	17.94	23.65	21.62
Interest / Dividend Income	(1.52)	(3.92)	-	-	(0.30)	(0.46)
Loss on Sale of Asset	-	1.28	-	-	-	2.62
Preliminary expenses written off	7.70	9.49	7.74	7.74	-	-
Interest Paid	0.06	0.57	13.04	21.03	38.89	34.94
Profit on Sale of Subsidiary	136.93	-	-	-	-	-
Operating Profit Before Working Capital changes	1,114.20	356.68	100.46	54.91	71.25	64.85
Change in Trade and Other receivables	(579.80)	(103.75)	600.67	286.78	(318.07)	(414.89)
Change in Inventories	275.58	(336.83)	(530.45)	243.35	172.18	(481.92)
Change in other Current Assets	(1,521.17)	(93.64)	(170.89)	(167.36)	4.14	61.38
Change in other Current Liabilities	(57.95)	(387.97)	325.12	(328.76)	(288.77)	127.79
Income Taxes Paid	(2.02)	(26.79)	(8.72)	-	0.30	(3.76)
Net Cash Flow From Operating Activities	(771.16)	(592.30)	316.19	88.92	(358.97)	(646.55)
Cash Flow from Investing Activities						
Purchase of Fixed Assets	(68.15)	(122.19)	(294.68)	(89.89)	(5.75)	(124.62)
Sale of Fixed Assets	-	125.89	-	-	3.61	36.70
Purchase of Investments	-	(0.85)	-	-	-	-
Sale of Investments	-	-	-	-	-	2.14
Net Cash flow used in Investing Activities	(68.15)	2.85	(294.68)	(89.89)	(2.14)	(85.78)
Cash Flow from Financing Activities						
Changes in Borrowings	130.60	(282.77)	(122.10)	20.03	(73.56)	378.49
Share Capital raised	462.77	583.68	199.27	-	190.00	246.00
Share Premium	51.39	291.84	99.63	-	95.00	123.00
Share Application Money	-	216.89	(185.10)	-	185.10	-
Miscellaneous Expenses Incurred	(17.36)	(24.21)	(0.04)	-	(1.26)	(11.35)
Interest Received	1.52	3.92	-	-	0.30	0.46
Interest Paid	(0.06)	(0.57)	(13.04)	(21.03)	(38.89)	(34.94)
Surplus on OTS With Bank	-	103.62	-	-	-	-
Loan to Subsidiary	178.95	(208.99)	-	-	-	-
Net Cash Flow From Financing Activities	807.81	683.41	(21.38)	(1.00)	356.69	701.66
Net Increase in Cash and Cash Equivalents						
(Opening Balance)	96.47	2.51	2.38	4.35	8.77	39.44
Cash and Cash Equivalents						
(Closing Balance)	64.97	96.47	2.51	2.38	4.35	8.77

1. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard – 3 “Cash Flow Statement” issued by the Institute of Chartered Accountants of India.
2. Cash flows have been reported using the indirect method, whereby the net profit is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments, segregating between cash flows.
3. Significant cash and cash equivalent balances held by the enterprise are available for use by the company.



**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS OF
MID VALLEY ENTERTAINMENT LIMITED**

Annexure IV

1: SIGNIFICANT ACCOUNTING POLICIES:

1.1. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS:

The Financial statements are prepared under the Historical Cost convention in accordance with the Generally Accepted Accounting Principles and comply with mandatory accounting standards issued by the Institute of Chartered Accountants of India. The significant Accounting Policies followed by the Company are stated below:

1.2. FIXED ASSETS AND DEPRECIATION:

- a) Fixed Assets are stated at Cost of Acquisition
- b) Depreciation is provided from the date on which the assets have been installed and put to use on written down value method at the rates and in the manner specified under schedule XIV of the Companies Act, 1956 as amended by notification dated December 16, 1963.

1.3. Capital Work-in progress:

Advances paid towards the acquisition of fixed asset, and the cost of assets not put to use before the year- end, are disclosed under capital Work-in-progress.

1.4. FIXED ASSETS AND DEPRECIATION:

Foreign currency transactions are recorded in the books by applying the exchange rate as on the transaction. Investment in foreign currency is reported using the exchange rate at the date of transaction. Our foreign currency transaction are converted at the exchange rate prevailing on the last working day of the accounting year. Fluctuations in the exchange rate transactions are charged to profit & loss account, wherever necessary. In respect of foreign currency transactions in fixed asset, the exchange gain or loss is adjusted in the carrying amount of fixed assets and accordingly depreciation id charged.

1.5. REVENUE RECOGNITION:

a) Sale of Film Rights:

Revenues arising from sale of Distribution rights of the feature films produced by the company are recognized on accrual basis, based on specific distribution contracts. Income is recognized only upon completion of the project and obtaining a valid film Censorship Certificate.

b) Distribution of Films:

Income from own distribution of films are to the extent of the collections received from the distribution areas.

c) Sale of Satellite Rights:

Income from sale of Satellite rights are recognized based on contract of sale and the amounts received.

d) Sale of Programmes:

Income on sale of Programmes are recognized on accrual basis based on the Invoices raised.

e) Sale of Audio Rights and Royalties:

Income from sale of Audio rights are accounted on cash basis based on specific contracts. Income from Royalties are accounted on accrual basis based on the contract with the music companies. Audio Rights and Royalties are recognized only upon completion and released of the audio albums.

f) Export of Serials and Films:

Income recognized on accrual based on export invoices/contracts with overseas companies.

1.6. INVENTORIES:

- a) Stock of Rights of Movies/ Serials and programmes are valued at Cost. Unexploited value of rights in respect of the expired period of the rights, wherever material are written off over the period of right.
- b) Stock of movies / serials and programmes produced by the company are not valued, but written off upon completion of the project. Unexploited value not recognized as matching the revenue and costs are not feasible.

WORK IN PROGRESS:

Projects under production are valued at cost including the proportionate borrowing costs identifiable with the individual projects.

1.7. FOREIGN CURRENCY TRANSACTION:

Foreign currency Transactions in respect of overseas sales are recorded in the books based on the rates prevailing at the time of actual remittance received and credited by the Bank.

1.8. Previous years figures have been regrouped / recast wherever necessary.

2. NOTES ON ACCOUNTS:

2.1. SUNDRY DEBTORS, LOANS AND ADVANCES: Sundry Debtors, Loans and Advances and Deposits are subject to confirmation and reconciliation. However in the opinion of the management, these Current Assets are realizable in the ordinary course of the business at the values as stated in the accounts. The loans and advances include Rs.59,27,995 due from a Ex – director Dr. Murali Manohar

2.2. PROVISION FOR TAXATION: No provision for Taxation has been provided in the accounts. The same would be provided at the end of the financial year.
No provision for deferred taxation has been provided in the accounts. The same would be provided at the end of the financial year.

2.3. COMMISSION AND INCENTIVES:
Commission payable on distribution contracts will be accounted at the termination of the contract or upon payment whichever is earlier.

2.4. MISCELLANEOUS EXPENDITURE:
Miscellaneous Expenditure represents public issue expenses and one fifth of the same are charged during this year to revenue.

2.5. CONTINGENT LIABILITES:

	<i>Rs. in Lacs</i>
d) Disputed compensation demanded by an Ex-employee	10.00
e) Commission payable on distribution Contracts.	10.00
f) TDS & income tax Payable	68.59



NOTES TO STATEMENT OF ASSETS & LIABILITIES AND PROFIT AND LOSS ACCOUNT

ANNEXURE V

1. Changes in Accounting Policies

There are no changes in accounting policies during the Financial Years ended on March 31, 2002, 2003, 2004, 2005 and Period ended on April 30, 2006 and January 31, 2007

2. Deferred Tax

The year-wise restated deferred tax calculations are as under:

(Amount Rs. in Lacs)

Computation of Deferred Tax Liability (As Restated)						
Particulars	Period/ Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
Deferred Tax Liability						
On account of Timing differences	44.46	44.46	20.06	13.81	35.72	47.54
Total	44.46	44.46	20.06	13.81	35.72	47.54
Net Deferred Tax Liability	44.46	44.46	20.06	13.81	35.72	47.54

Computation of Deferred Tax for the year ended 31.03.2002

(Amount Rs. in Lacs)

WDV as per Companies Act		278.05
WDV as per Income Tax Act		148.70
Difference		129.35
Rate of Tax for the year 31.03.2003	36.75%	47.54
Deferred Tax Liability as on 31.03.2002		<u>47.54</u>

Computation of Deferred Tax for the year 2001-2002

(Amount Rs. in Lacs)

Depreciation as per Companies Act		21.62
Depreciation as per Income Tax Act		49.03
Difference		(27.41)
Rate of Tax for the year 31.03.2002	35.70%	(9.79)
Deferred Tax Asset as on 01.04.2001		<u>(9.79)</u>

Note:

- Deferred tax accounting is applicable for the company from 01.04.2002.
 - Since the working of Deferred tax for the financial year 2006-2007 is Deferred tax asset on a conservative basis the same has not been considered for the purpose of summarization.
 - Change in statutory requirement does not amount to change in accounting policies hence application of AS -22 up to the year 2001 - 2002 has not been considered.
3. Estimated value of contract remaining to be executed on capital account and not provided for is NIL for the financial years 2001-02, 2002-03, 2003-04, 2004-05, 2005-06 and 31st January 2007.

4. The Year-wise Remuneration to directors including perquisites is given below:

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
Managing Director	-	-	6.00	-	6.00	6.39
Whole Time Directors	0.32	-	-	-	-	-
Sitting Fees	-	-	-	-	-	-
Total	0.32	-	6.00	-	6.00	6.39

Note: - Pursuant to the resolution passed at the meeting of the Remuneration Committee on December 27, 2006 and further approved by the shareholders in Extra-ordinary General Meeting on January 24, 2007. The detailed terms and conditions of the appointment are as under:

(Amount Rs. in Lacs)

Name	Mr. Datuk K. Ketheeswaran		Mr. Chandrasegaran	
	WTD		WTD	
Designation				
Period	18.01.2007	16.04.2007	18.01.2007	16.04.2007
Overall maximum limit per annum as per Schedule XIII to the Companies Act, 1956	12.00		8.40	
Basic Salary	60%	7.20	60%	5.04
House rental Allowance	15%	1.80	15%	1.26
City Compensatory Allowance	15%	1.80	15%	1.26
Other Allowance	10%	1.20	10%	0.84
TOTAL		12.00		8.40

5. Related Party Transactions

Relationship Chart - May 1, 2006 to January 31, 2007

Name of the Related Party	Relationship
Unigold Pacific Limited	Company with common Director
Kiara Enigma Sdn Bhd	Company with common Director
Global Motion Pictures and Ventures Pte Ltd	Company with common Director
MidValley Entertainment Limited (UK)	Erstwhile Subsidiary
Datuk K. Ketheeswaran	Director
R. Chandrasegaran	Director

Relationship Chart - April 1, 2005 to April 30, 2006

Name of the Related Party	Relationship
Mid Valley Entertainments Limited	Subsidiary
Private Moments Limited	Subsidiary
Camera Lights Action UK Limited	Subsidiary
Dr. J. Murali Manohar	Director
Film Production Services	Company with common Director
Cross over	Company with common Director
Unigold Pacific Limited	Company with common Director
Motion Pictures Partners International Ltd	Company with common Director
Kiara Enigma Sdn Bhd	Company with common Director
Global Motion Pictures and Ventures Pte Ltd	Company with common Director
Metro film Private Limited	Company with common Director

Relationship Chart - April 1, 2004 to March 31, 2005

Name of the Related Party	Relationship
Dr.J.Murali Manohar	Director
Mr.K.V.Subramaniam	Director
Cross over	Company with common Director
Mars Entertainment	Company with common Director
Motion Pictures Partners International Ltd	Company with common Director
Garuda Overseas Exports Private Limited	Company with common Director
The Film Bhawarchi Ltd	Company with common Director
The Film Backwaters Ltd	Company with common Director
The Film Take 2 Ltd	Company with common Director



Relationship Chart - April 1, 2003 to March 31, 2004

Name of the Related Party	Relationship
Dr. J. Murali Manohar	Director
Mars Entertainment	Company with common Director
G.G. Photo limited	Company with common Director
Cee TV LONDON	Company with common Director
VISION 2000	Company with common Director
Metro Film Corporation	Company with common Director
Metro Films Private Limited	Company with common Director

Related Party transactions for the year ended 31st January 2007

(Amount Rs. in Lacs)

Nature of Transaction	Subsidiaries - MidValley Entertainment UK	Company with Common Director - Global Motion Pictures Pvt. Ltd	Company with Common Director - Kiara Enigma Sdn Bhd	Company with Common Director - Unigold Pacific Ltd	Datuk K. Ketheeswaran	R. Chandrasegaran
Current Liabilities@	-	-	-	-	-	-
Investments @	-	-	-	-	-	-
Sundry Debtors @	-	-	-	-	-	-
Loans and Advances@	-	-	-	-	-	-
Loans Given	-	-	-	-	-	-
Loans Returned	-	-	-	-	-	-
Investment in Share Capital	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-
Invested by promoters in Share capital	-	251.20	150.00	398.16	-	-
Sales & Services Income	-	-	-	-	-	-
Purchase of Goods & Services	-	-	-	-	-	-
Recovery of Common Expenses	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	0.32

@closing balance

Related Party transactions for the year ended 30th April 2006*(Amount Rs. in Lacs)*

Nature of Transaction	Subsidiaries - MidValley Entertainment UK	Company with Common Director - Metro Films Pvt Ltd	Company with Common Director - Crossover Partner	Company with Common Director - Motion Pictures Partners International Ltd	Company with Common Director - Film Production Services	Director - Dr. J. Murali Manohar	Company with Common Director - Global Motion Pictures Pvt. Ltd	Company with Common Director - Kiara Enigma Sdn Bhd	Company with Common Director - Unigold Pacific Ltd
Current Liabilities@	-	-	-	-	-	54.92	-	-	-
Investments @	0.85	-	-	-	-	-	-	-	-
Sundry Debtors @	-	-	259.68	-	-	-	-	-	-
Loans and Advances@	208.99	10.00	-	-	-	59.28	-	-	-
Loans Given	-	-	-	-	-	-	-	-	-
Loans Returned	-	-	-	-	-	-	-	-	-
Investment in Share Capital	-	-	-	-	-	-	251.20	150.00	398.16
Share Application Money	-	-	-	-	-	-	-	-	-
Sales & Services Income	-	340.18	82.74	125.01	337.17	85.28	-	-	-
Purchase of goods & services	-	7.50	-	-	-	-	-	-	-
Recovery of Common Expenses	-	-	-	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	-	-	-

@closing balance



Related Party transactions for the year ended 31st march 2005

(Amount Rs. in Lacs)

Nature of Transaction	Company with Common Director - Mars entertainment	Company with Common Director - Crossover Partner	Company with Common Director - Motion Pictures Partners International Ltd	Company with Common Director - Garuda overseas Private Limited	Company with Common Director - The Film Bawarchi Ltd, The Film Backwater Ltd & The Film Take 2 Ltd	Director - K.V. Subramaniam	Director - Dr. Murali Monohar
Current Liabilities@	-	-	-	-	-	-	-
Investments @	-	-	-	-	-	-	-
Sundry Debtors @	-	-	-	-	-	-	-
Loans and Advances@	337.11	176.94	-	-	-	-	85.95
Loans Given	-	-	-	-	-	-	85.95
Unsecured loans received	-	-	-	50.47	-	-	-
Loans Accepted	-	-	370.01	-	-	-	-
Investment in Share Capital	-	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-	-
Sales & Services Income	-	-	-	-	1,300.67	-	-
Purchase of goods & services	-	-	-	-	1,284.92	-	-
Recovery of Common Expenses	-	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	6.00	-

@closing balance

Related Party transactions for the year ended 31st March 2004*(Amount Rs. in Lacs)*

Nature of Transaction	Company with Common Director - Mars entertainment	Company with Common Director - G.G.Photo Limited	Company with Common Director - CEE TV London	Company with Common Director - Vision 2000	Company with Common Director - Metro Films Corporation	Company with Common Director - Metro Films Pvt Ltd
Current Liabilities@	-	-	-	-	-	-
Investments @	-	-	-	9.51	-	-
Sundry Debtors @	-	-	416.59	-	-	0.20
Loans and Advances@	0.05	-	-	-	-	238.19
Loans Given	-	-	-	-	-	-
Unsecured loans accepted	-	138.10	-	-	-	-
Loans Returned	-	-	-	-	-	-
Investment in Share Capital	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-
Sales & Services Income	-	-	809.03	-	59.82	98.80
Purchase of goods & services	-	-	-	-	-	-
Recovery of Common Expenses	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-

@closing balance



DIVIDEND STATEMENT

ANNEXURE VI

Particulars	Period/ Year Ended											
	9 month		13 month		12 month		12 month		12 month		12 month	
	31-Jan-07		30-Apr-06		31-Mar-05		31-Mar-04		31-Mar-03		31-Mar-02	
Share Capital	256,531,400		210,254,170		137,426,660		117,500,000		117,500,000		98,500,000	
Dividend Declared:	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
Interim Dividend	-	NA	-	NA	-	NA	-	NA	-	NA	-	NA
Final Dividend	-	NA	-	NA	-	NA	-	NA	-	NA	-	NA
Total	-	NA	-	NA	-	NA	-	NA	-	NA	-	NA

STATEMENT OF ACCOUNTING RATIOS

ANNEXURE VII

Particulars	Period/ Year Ended					
	9 month	13 month	12 month	12 month	12 month	12 month
	31-Jan-07	30-Apr-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
Earning Per share (Rs.)	3.16	1.98	0.27	0.25	0.05	0.06
Net Asset Value Per Share (Rs.)	20.70	20.68	16.80	16.41	16.73	14.58
Return on Net Worth (%)	13.53%	5.20%	1.54%	1.71%	1.19%	-3.02%
Weighted Average Number of Equity Shares in the period (in No.s)	22,982,733	17,052,203	11,916,056	11,750,000	11,433,333	9,850,000

1. Earning Per Share(Rs.) = $\frac{\text{Net Profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$
2. Net Asset Value Per Share(Rs.) = $\frac{\text{Net Worth Excluding revaluation reserve at the end of the period / year}}{\text{Weighted average number of equity shares outstanding during the period.}}$
3. Return on Net Worth (%) = $\frac{\text{Net Profit attributable to equity shareholders}}{\text{Net Worth Excluding revaluation reserve at the end of the period/ year.}}$



STATEMENT OF SUNDRY DEBTORS

ANNEXURE VIII

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month	13 month	12 month	12 month	12 month	12 month
	31-Jan-07	30-Apr-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
(Secured, Considered Good)						
Outstanding for the period exceeding Six months	-	-	-	-	-	-
Outstanding for the period not exceeding Six months	-	-	-	-	-	-
(Unsecured, considered good)						
Outstanding for the period exceeding Six months	40.02	489.68	-	371.00	716.00	408.00
Outstanding for the period not exceeding Six months	850.52	-	176.94	406.61	348.39	338.32
Total	890.54	489.68	176.94	777.61	1064.39	746.32

DUES FROM PROMOTERS, DIRECTOR OR RELATIVES OF THE DIRECTOR OR PROMOTER**ANNEXURE IX**

No dues are receivable from Promoters, Director or relative of the Director or Promoter except as mentioned below:

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
Dues from Director	-	59.28	85.95	-	-	-



STATEMENT OF LOANS & ADVANCES

ANNEXURE X

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month	13 month	12 month	12 month	12 month	12 month
	31-Jan-07	30-Apr-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
Advances Recoverable in Cash or in Kind Or for the value to be received						
- From Directors	-	59.28	85.95	-	-	-
- From Others	2049.95	469.50	344.18	264.09	7.72	7.16
Prepaid Expenses	-	-	-	-	-	-
Tax Deducted at Sources	-	-	11.00	5.00	5.00	5.00
Accrued Interest Income	-	-	-	-	-	-
Deposits	-	-	-	-	89.00	94.00
Total	2049.95	528.78	441.13	269.09	101.72	106.16

DETAIL OF SECURED LOANS OUTSTANDING

ANNEXURE XI

(Amount Rs. in Lacs)

Name of the Bank	Facility Availed	Sanctioned Amount	Interest	Outstanding as on 31.01.07	Repayment Terms	Primary Security Offered	Collateral Security Offered
ICICI Bank	Car loan	20.79	18%	16.82	2 years	Car	-



CAPITALIZATION STATEMENT

ANNEXURE XII

(Amount Rs. in Lacs)

Particulars	Pre-Issue as at April 30, 2006	Pre-Issue as at January 31, 2007	Post Issue
Borrowings:			
Long-Terms Debt	-	-	1,500.00
Total Debt	-	-	1,500.00
Shareholder's Funds:			
Equity share capital	2,102.54	2,565.31	3,465.31
Reserves and Surplus	1,418.00	2,194.71	##
Total shareholder's Funds	3,520.54	4,760.02	##
Long-term Debt/Equity Ratio (%)	-	-	##

Post issue Capital will be decided based on the Book building process

STATEMENT OF TAX SHELTER

ANNEXURE XIII

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
Profit/Loss before current and deferred taxes as restated	951.90	322.50	64.70	8.20	9.01	6.13
Tax Rate(%)						
- Normal	33.66	33.66	36.59	35.88	36.75	35.70
- MAT	11.22	8.42	7.84	7.69	7.88	7.65
Tax at Notional Rate	320.41	168.00	23.78	7.69	7.88	7.65
Adjustments:						
Export Profits	-	-	-	-	-	-
Difference Between Tax Depreciation and Book Depreciation	(46.61)	(20.98)	(14.64)	(19.80)	(7.90)	(27.40)
Other Adjustments	168.70	(7.70)	22.26	0.10	(11.47)	7.28
Net Adjustments	122.09	(28.68)	7.62	(19.70)	(19.37)	(20.12)
Tax Savings Thereon	(41.10)	9.60	(2.79)	7.07	7.12	7.18
Total Taxation	361.50	138.17	26.57	0.62	0.76	0.47
Taxation on Extra-ordinary items	47.00	21.95	-	-	-	-
Tax on Profit before Extra-Ordinary items	314.50	116.22	26.57	0.62	0.76	0.47



DETAILS OF CONTINGENT LIABILITIES

ANNEXURE XIV

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
Disputed compensation demanded by an EX-Employee	0.00	10.00	10.00	10.00	10.00	10.00
Commission payable on distribution contracts	0.00	10.00	10.00	10.00	10.00	10.00
TDS & Income Tax *	68.59	68.59	29.60	0.00	0.00	0.00
Total	68.59	88.59	49.60	20.00	20.00	20.00

*Note - The company has an amount of Tax payable to the tune of Rs. 68.59 lacs for more than 6 months since become due. However, the company has gone on an Appeal with the Commissioner of Income Tax and the matter is yet to be conclusively decided

DETAILS OF UNSECURED LOANS
ANNEXURE XV*(Amount Rs. in Lacs)*

Particulars	Period/ Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
From Bank	-	-	-	-	-	106.16
From Directors	181.83	51.23	-	-	-	-
From Others	-	-	76.47	198.57	199.57	188.10
Total	181.83	51.23	76.47	198.57	199.57	294.26

Note - This is interest free loan and is repayable on demand



OTHER INCOME

ANNEXURE XVI

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended					
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04	12 month 31-Mar-03	12 month 31-Mar-02
Dividend Income	-	-	-	-	-	0.46
Interest on FD	1.54	3.10	-	-	0.30	-
Bank Interest	-	0.83	-	-	-	-
Excess Provision Written Back	-	0.35	-	-	-	-
Miscellaneous Income	0.21	0.42	9.09	-	0.02	1.85
Total	1.75	4.70	9.09	-	0.32	2.31

STATEMENT OF QUALIFICATION OR OBSERVATION IN AUDITORS REPORT

ANNEXURE XVII

1. Financial year ended 31.03.2002
 - According to the information and explanation given to us, there are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty were outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable, subject to non remittances of TDS amounting to Rs.7,82,410/-.
2. Financial year ended 31.03.2003
 - According to the information and explanation given to us, there are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty were outstanding as at 31st March, 2003 for a period of more than six months from the date they became payable, subject to non remittances of TDS amounting to Rs.7,82,410/-.
3. Financial year ended 31.03.2004
 - According to the information and explanation given to us, there are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty were outstanding as at 31st March, 2004 for a period of more than six months from the date they became payable, subject to non remittances of TDS amounting to Rs.7,82,410/-.
4. Financial year ended 31.03.2005
 - According to the information and explanation given to us, there are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty were outstanding as at 31st March, 2005 for a period of more than six months from the date they became payable, subject to non remittances of TDS amounting to Rs.9,86,431/- and CST of Rs.6,786/-.
5. Financial year ended 30.04.2006
 - According to the information and explanation given to us, there are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty were outstanding as at 30th April, 2006 for a period of more than six months from the date they became payable, subject to non remittances of TDS amounting to Rs.68.59 Lacs.
6. Financial year ended 31.01.2007
 - According to the information and explanation given to us, there are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty were outstanding as at 31st January, 2007 for a period of more than six months from the date they became payable, subject to non remittances of TDS amounting to Rs.68.59 Lacs.



From:
VENKATESH & CO.
Chartered Accountants
“Sri Ranga”, No.151, Mambalam High Road,
T. Nagar
Chennai – 600 017

To

The Board of Directors
MIDVALLEY ENTERTAINMENT LIMITED
No.9A, Gee Gee Emerald Complex
312, Valluvar Kottam High Road
Nungambakkam
Chennai - 600 034.

A.

- a. We have examined the annexed financial information of the consolidated accounts of MIDVALLEY ENTERTAINMENT LIMITED (formerly known as CEE TV Entertainment Limited) for the financial year ended 30th April, 2006. The financial information is based on the accounts audited by us and approved by the Board of Directors of the company for the purpose of disclosure in the Offer Document of the company in connection with the proposed Public Issue of Equity Shares of the Company.
- b. In accordance with the requirement of
 - i. Paragraph B of Schedule II to the Companies Act, 1956 (‘the Act’)
 - ii. The Securities and Exchange Board of India (Disclosure and Investor Protection) guidelines, 2000 (‘the SEBI Guidelines’) issued by the Securities and Exchange Board of India (‘SEBI’) on January 19, 2000 in pursuance to section 11 of Securities and Exchange Board of India, 1992 and related amendments and
 - iii. On request from the Company to carry out work in connection with the Offer Document as aforesaid,

We report that the restated profits / losses of the Company for the financial year / period ended on April 30, 2006 and set out in **Annexure I** to this report. These profits /losses have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the accounting policies and notes thereon appearing in **Annexure IV** to this report;

We report that restated assets and liabilities of the company as on April 30, 2006 are set out in **Annexure - II** to this report, after making such adjustments / restatements and regrouping as in our opinion are appropriate and subject to the accounting policies and notes thereon appearing in **Annexure - IV** to this report;

- c. The company has not paid any dividend on equity shares in the past.

B. We have also examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report;

1. Statement of Cash Flow as appearing in **Annexure III** to this report;
2. Significant Accounting Policies and Notes on Accounts for the Consolidated Financial statements in **Annexure IV** to this report.
3. Statement of Transactions between promoters and the Associates of Promoters for the 13 month period ended April 30, 2006 appearing in **Annexure V** to this report.
4. Statement of Related parties (only for the years the Accounting Standard 18 is applicable) transactions **Annexure V** to this report;
5. Statement of Dividends as appearing in **Annexure VI** to this report;
6. Statement of Accounting Ratios as appearing in **Annexure VII** to this report;
7. Statement of Sundry Debtors as appearing in **Annexure VIII**
8. Statement of Dues from Promoters, Directors or relative of Director or Promoter as appearing in **Annexure IX** to this report;
9. Statement of Loans and Advances as appearing in **Annexure X** to this report;
10. Details of Secured Loans Outstanding as appearing on **Annexure XI** to this report;
11. Capitalization statement of pre-issue at April 30, 2006 and January 31, 2007, as appearing in **Annexure XII** to this report;
12. Statement of Tax Shelter as appearing in **Annexure XIII** to this report;
13. Statement of contingent liabilities enclosed in **Annexure XIV** to this report;

14. Statement of Unsecured Loans as appearing in **Annexure XV** to this report;
 15. Statement of Other Income as appearing in **Annexure XVI** to this report;
 16. Statement of Qualifications and Observations in **Annexure XVII** to the report.
- a. In our opinion the financial information of the Company as stated in Para A and B above read with the significant accounting policies attached in Annexure IV to this report, after making adjustments/ restatements and regrouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the act and SEBI Guidelines.
 - b. The statement of tax benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct laws presently in force in India. The contents of this statement are based on information, explanation and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the Income Tax laws of India as of date.
 - c. These reports are intended solely for your information and for inclusion in the Offer Document in connection with the specific public offer of the Company and are not to be used, referred to or distributed for any other purpose without our prior consent.

For Venkatesh & Co.
(Chartered Accountants)

Place: Chennai
Date: June 4, 2007

(V.DASARATY)
Partner
Membership No.: 26336



STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

ANNEXURE I

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
INCOME	
<u>PRODUCTION</u>	
Export of Serials and Films	7.41
Income from Serials	-
Sale of Programs / Feature Films	3,977.64
Sale of Cassettes	-
<u>DISTRIBUTION</u>	
Distribution of Films	-
Sale of Rights	-
<u>EXHIBITION</u>	
Theatre Collection	45.88
Theatre Stall Income	0.30
Theatre Slide Show Income	0.03
<u>OTHERS</u>	
Other Income	4.72
Total	4,035.98
EXPENDITURE	
Cost of Production/ Distribution/ Purchase of Films	2,896.94
Administrative Expenses	65.31
Interest	1.34
Depreciation	40.43
Preliminary Expenses written off	9.49
Total	3,013.51
Adjusted Profit before tax and extraordinary items	1,022.47
Provision for Tax	
- Current Tax	292.23
- Deferred Tax	24.40
Fringe Benefit Tax	0.66
Adjusted Profit before extraordinary items	705.18
Add: Extraordinary Items	
- Surplus on OTS with Bank	89.45
- Profit on sale of Land	67.08
- Profit on sale of Subsidiary	-
Net profit after adjustment and Extraordinary items	861.71
Balance Brought forward	159.08
Less: Issue of Bonus Shares	-
Add: Change in Depreciation accounting	-
Balance Carried over to Balance Sheet	1,020.79

STATEMENT OF RESTATED ASSETS AND LIABILITIES (CONSOLIDATED)

ANNEXURE II

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
Fixed Assets:	
Gross Block	1,057.09
Less: Depreciation & Amortization	148.74
Net Block (A)	908.35
Investments (B)	-
(Investments in subsidiary Company)	
Current Assets, Loans and Advances	
Inventories	2,033.76
Sundry Debtors	1,595.42
Cash and Bank Balances	97.33
Loans and Advances	319.79
Total (C)	4,046.30
Liabilities and Provisions	
Secured Loans	17.36
Unsecured Loans	51.23
Deferred Tax Liability	44.47
Current Liabilities	398.79
Provisions	135.66
Total (D)	647.51
Miscellaneous Expenditure	37.98
(to the extent not w/off)	
Net Assets(A+B+C-D)	4,345.12
E. Represented by	
Share Capital	2,102.54
Issued, Subscribed and paid up.	
Share Application	-
Reserves and Surplus	
- Share premium	921.77
- Surplus as per & La/c.	1,020.79
- Exchange Fluctuation reserve	300.02
NET WORTH	4,345.12



RESTATED CASH FLOW STATEMENT (CONSOLIDATED)

ANNEXURE III

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
Cash Flows From Operating Activities	
Net Profit Before Taxation & Extraordinary items	1,022.47
Adjustments For:	
Depreciation	40.43
Interest / Dividend Income	(3.92)
Loss on sale of Asset	-
Preliminary Expenses Written off	9.49
Interest paid	1.35
profit on sale of Subsidiary	-
Operating profit before working capital changes	1,069.82
Change in Trade and other receivables	(1,418.48)
Change in Inventories	(336.83)
Change in other Current Assets	35.40
Change in other Current Liabilities	59.43
Income Taxes paid	(27.57)
Net Cash Flow From Operating Activities	(618.23)
Cash Flow from Investing Activities	
Purchase / sale of Fixed Assets	(340.58)
Purchase of Investments	-
Sale of Investments	-
Net Cash flow used in Investing Activities	(340.58)
Cash Flow From Financing Activities	
Changes in Borrowings	(281.50)
Share capital raised	785.57
Share premium	392.79
Share Application Money	-
Miscellaneous Exp Incurred	(23.66)
Interest Received	3.92
Interest paid	(1.35)
Surplus on OTS With Bank	103.62
Surplus on Sale of land	74.24
Sale of Subsidiary	-
Net Cash Flow From Financing Activities	1,053.63
Net Increase in Cash and Cash Equivalents	
(opening Balance)	2.51
Cash and Cash Equivalents	
(Closing Balance)	97.33

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE
CONSOLIDATED FINANCIAL STATEMENTS OF
MID VALLEY ENTERTAINMENT LIMITED**

ANNEXURE IV

Accounting convention

The preparation of consolidated financial statements in conformity with Indian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities.

Basis of preparation of financial statements

- (i) The Financial statements of the holding company and its foreign subsidiary used in the consolidation is drawn up to the same reporting date as that of the subsidiary company i.e., year ended 30.04.2006
- (ii) The financial statements have been prepared under the conversion rate mentioned in AS -11 and on the accrual basis of accounting. The Accounts of the parent has been prepared in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India, and those of foreign subsidiary has been prepared in accordance with the local laws and applicable Accounting Standards/ generally accepted Accounting Principles

Principals of consolidation

- (i) The financial statement of the parent company and its subsidiary have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminated intra-group transactions and the unrealized profits.
- (ii) The financial statements of the parent company and its subsidiary have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances subject to notes to accounts.
- (iii) The excess of the cost to the parent company of its investments in the subsidiary over its share of equity in the respective subsidiary, is recognized in the financial statements as good will

Revenue Recognition

a) Sale of Film Rights:

Revenues arising from sale of Distribution rights of the feature films produced by the company are recognized on accrual basis, based on specific distribution contracts. Income is recognized only upon completion of the project and obtaining a valid film Censorship Certificate.

b) Distribution of Films:

Incomes from own distribution of films are to the extent of the collections received from the distribution areas.

c) Sale of Satellite Rights:

Income from sale of Satellite rights are recognized based on contract of sale and the amounts received.

d) Sale of Programmes:

Incomes on sale of Programmes are recognized on accrual basis based on the Invoices raised.

e) Sale of Audio Rights and Royalties:

Incomes from sale of Audio rights are accounted on cash basis based on specific contracts. Incomes from Royalties are accounted on accrual basis based on the contract with the music companies. Audio Rights and Royalties are recognized only upon completion and released of the audio albums.

f) Export of Serials and Films:

Income recognized on accrual based on export invoices/contracts with overseas companies.

FIXED ASSETS AND DEPRECIATION:

- a) Fixed assets are stated at the cost of acquisition, less accumulated depreciation.
- b) Direct costs are capitalised till the asset are ready to be put to use.
- c) This costs include financing costs relating to specified borrowing(s) attributable to fixed asset as per AS-16 "Borrowing Cost" issued by the institute of Chartered Accountants of India



-
- d) Depreciation on fixed assets is provided using written down value method at the rates and in the manner specified under schedule XIV of the Companies Act, 1956 as amended by notification dated December 16, 1963 except the UK subsidiary.

INVENTORIES:

- a) Stock of Rights of Movies/ Serials and programmes are valued at Cost. Unexploited value of rights in respect of the expired period of the rights, wherever material are written off over the period of right.
- b) Stock of movies / serials and programmes produced by the company are not valued, but written off upon completion of the project. Unexploited value not recognized as matching the revenue and costs are not feasible.

WORK IN PROGRESS:

Projects under production are valued at cost including the proportionate borrowing costs identifiable with the individual projects.

FOREIGN CURRENCY TRANSACTION:

Foreign currency Transactions in respect of overseas sales are recorded in the books based on the rates prevailing at the time of actual remittance received and credited by the Bank.

TAXATION:

- (i) Indian Companies income tax expense comprises current tax charge or credit. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantially enacted by the Balance Sheet date.
- (ii) The foreign subsidiary recognizes deferred tax assets and liabilities in accordance with the local law and the applicable accounting standards are generally accepted accounting principles.

SETTLEMENT WITH BANK:

The company made a onetime settlement with city union bank, Chennai. As against the book liability of Rs 2,73,62,324/-, the company has made a payment of Rs 1,70,00,000/-. The balance of Rs1,03,62324 is credited to profit and loss account as an extra ordinary item in schedule B.

ACCOUNTING YEAR:

The company has extended its account period to 30th April 2006 by one month for consolidation purpose with the subsidiary. The financial statements have been drawn up for a period of 13 months ended 30th April 2006 and hence are not strictly comparable with previous year figures.

CONTINGENT LIABILITES:

	<i>Rs. in Lakhs</i>
a) Disputed compensation demanded by an Ex-employee	10.00
b) Commission payable on distribution Contracts.	10.00
c) TDS & income tax Payable	68.59

ANNEXURE V

1. Changes in Accounting Policies

There are no changes in accounting policies during the Financial Years ended March 31, 2002, 2003, 2004, 2005, 30th April, 2006 and 31st January, 2007

2. Deferred Tax

The year-wise restated deferred tax calculations are as under:

(Amount Rs. in Lacs)

COMPUTATION DEFERRED TAX LIABILITY (AS RESTATED)	
Particulars	Period/ Year Ended
	30-Apr-06
Deferred Tax Liability On the account of Timing differences	44.46
Total	44.46
Net Deferred Tax Liability	44.46

3. Estimated value of contract remaining to be executed on capital account and not provided for is NIL for the financial 2005-06.

4. The Year-Wise Remuneration to directors including perquisites is given below:

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
Managing Director	-
Whole Time Directors	-
Sitting Fees	-
Total	-

5. RELATED PARTY DISCLOSURE**Relationship Chart - 30th April 2006**

Name of the Related Party	Relationship
Dr. J. Murali Manohar	Director
Film Production Services	Company with common Director
Cross over	Company with common Director
Unigold Pacific Limited	Company with common Director
Motion Pictures Partners International Ltd	Company with common Director
Kiara Enigma Sdn Bhd	Company with common Director
Global Motion Pictures and Ventures Pte Ltd	Company with common Director
Metro film Private Limited	Company with common Director

Related Party transactions for the year ended 30th April 2006

(Amount Rs. in Lacs)

Nature of Transaction	Company with Common Director - Metro Films Pvt Ltd	Company with Common Director - Crossover Partner	Company with Common Director - Motion Pictures Partners	Company with Common Director - Film Production	Director - Dr. J. Murali Manohar	Company with Common Director - Global Motion Pictures	Company with Common Director - Kiara Enigma Sdn Bhd	Company with Common Director - Unigold Pacific Ltd



			Internati onal Ltd	Services		Pvt. Ltd		
Current Liabilities@	-	-	-	-	54.92	-	-	-
Investments @	-	-	-	-	-	-	-	-
Sundry Debtors @	-	259.68	-	-	-	-	-	-
Loans and Advances@	10.00	-	-	-	59.28	-	-	-
Loans Given	-	-	-	-	-	-	-	-
Loans Returned	-	-	-	-	-	-	-	-
Investment in Share Capital	-	-	-	-	-	251.20	150.00	398.16
Share Application Money	-	-	-	-	-	-	-	-
Sales & Services Income	340.18	82.74	125.01	337.17	85.28	-	-	-
Purchase of goods & services	7.50	-	-	-	-	-	-	-
Recovery of Common Expenses	-	-	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	-	-

DIVIDEND STATEMENT
ANNEXURE VI*(Amount Rs. in Lacs)*

Particulars	Period/ Year Ended	
	30-Apr-06	
Share capital	21,02,54,170	
Dividend Declared:	%	Amount
Interim Dividend	-	NA
Final Dividend	-	NA
Total	-	NA



STATEMENTS OF ACCOUNTING RATIOS

ANNEXURE VII

Particulars	Period/ Year Ended
	30-Apr-06
Earning Per share (Rs.)	5.05
Net Asset Value Per Share (Rs.)	25.52
Return on Net Worth (%)	16.37
Weighted Average Number of Equity Shares in the period (in Nos)	17,052,203

Formulae:

1. Earning Per Share(Rs.) = $\frac{\text{Net Profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period.}}$
2. Net Asset Value Per Share(Rs.) = $\frac{\text{Net Worth Excluding revaluation reserve at the end of the period/ year}}{\text{Weighted average number of equity shares outstanding during the period.}}$
3. Return on Net Worth (%) = $\frac{\text{Net Profit attributable to equity shareholders}}{\text{Net Worth Excluding revaluation reserve at the end of the period / year.}}$

STATEMENT OF SUNDRY DEBTORS**ANNEXURE VIII***(Amount Rs. in Lacs)*

Particulars	Period/ Year Ended
	30-Apr-06
Outstanding for the period exceeding Six months	-
Outstanding for the period exceeding Six months (unsecured, considered good)	-
Outstanding for the period exceeding Six months	489.68
Outstanding for the period not exceeding Six months	1,105.74
Total	1,595.42



DUES FROM PROMOTERS, DIRECTOR OR RELATIVES OF THE DIRECTOR OR PROMOTER

ANNEXURE IX

No dues are receivable from Promoters, Director or relative of the Director or Promoter except as mentioned below:

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
Dues from Director	59.28

STATEMENT OF LOANS & ADVANCES

ANNEXURE X

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
Advances Recoverable in Cash or in Kind Or for the value to be received	
- From Directors	59.28
- From Others	259.31
Prepaid Expenses	0.53
Tax Deducted at Sources	0.67
Accrued Interest Income	-
Deposits	-
Total	319.79



Annexure - XI
Detail of secured Loans Outstanding

(Amount Rs. in Lacs)

Name of the Bank	Facility Availed	Sanctioned Amount	Interest	Outstanding as on 30.04.2006	Repayment Terms	Primary Security Offered	Collateral Security Offered
ICICI Bank	Car loan	20.79	18%	17.36	2 years	Car	-

CAPITALISATION STATEMENT

ANNEXURE XII

<i>(Amount Rs. in Lacs)</i>	
Particulars	Pre-Issue as at April 30, 2006
Borrowings:	
Long-Terms Debt	-
Total Debt	-
Shareholder's Funds:	
Equity share capital	2,102.54
Reserves and Surplus	2,242.58
Total shareholder's Funds	4,345.12
Long-term Debt/Equity Ratio (%)	-



STATEMENT OF TAX SHELTER

ANNEXURE XIII

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
Profit/Loss before current and deferred taxes as restated	1,022.47
Tax Rate(%)	
- Normal	33.66
- MAT	8.42
Tax at Notional Rate	344.16
Adjustments:	
Export Profits	-
Difference Between Tax Depreciation and book Depreciation	(20.98)
Other Adjustments	(7.70)
Net Adjustments	(28.68)
Tax Savings Thereon	9.65
Total Taxation	366.09
Taxation on Extra-ordinary items	21.95
Tax on Profit before Extraordinary items	344.14

DETAILS OF CONTIGENT LIABILITIES

ANNEXURE XIV

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
Disputed compensation demanded by an EX-Employee	10.00
Commission payable on distribution contracts	10.00
TDS & Income tax *****	68.59
Total	88.59

*Note - The company has an amount of Tax payable to the tune of Rs. 68.59 lacs for more than 6 months since become due. However, the company has gone on an Appeal with the Commissioner of Income Tax and the matter is yet to be conclusively decided



DETAILS OF UNSECURED LOANS

ANNEXURE XV

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
From Bank	-
From Directors	51.23
From Others	-
Total	51.23

Note - This is interest free loan and is repayable on demand

OTHER INCOME

ANNEXURE XVI

(Amount Rs. in Lacs)

Particulars	Period/ Year Ended
	30-Apr-06
Dividend Income	-
Interest on FD	3.10
Bank Interest	0.83
Excess Provision Written Back	0.35
Miscellaneous Income	0.44
Total	4.72



STATEMENT OF QUALIFICATION OR OBSERVATION IN AUDITORS REPORT

ANNEXURE XVII

1. Financial year ended 30.04.2006

- According to the information and explanation given to us, there are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty were outstanding as at 30th April, 2006 for a period of more than six months from the date they became payable, subject to non remittances of TDS amounting to Rs.68.59 Lacs.

FINANCIAL INFORMATION OF GROUP COMPANIES

1. MultiVest Resources Berhad

The Company was incorporated on August 24, 1917 in Malaysia as The Benta Rubber Estates Limited under the Companies Enactment, 1897. The name of the Company was changed to Benta Plantations Berhad in 5th August, 1971 and then changed to Bets World Land Berhad on 29th December 1995. The Company's name is changed to the present name on 27th January 2000. The authorised equity share capital of the company is RM 500,000,000 equity shares of RM 1.00 each. The Registered Office of the Company is located at Batu 7, Jalan Changkat Jong, 36000 Teluk Intan, Perak Darul Ridzuan. The Registration number of the Company is 000222 – D. The principal activities of the company are that of Investment holding, provision of Management Services and plantation operations. Datuk K Ketheeswaran and his associates are the promoters of this company.

Board of Directors

The Board of Directors of the Company is as follows:

1. Dato' Ong Kim Hoay
2. Datuk K Ketheeswaran
3. Dato Nik Mohd Amin Bin Nik Abu Bakar
4. Dato' Seri Mohamad Noor Bin Abdul Rahim
5. Dato' Hj Abd. Halim Bin Hj Abd. Samad

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	Promoters	31,039,824	20.72
2	Nominees of promoters	12,229,200	8.16
3	Relative to promoters	25,45,500	1.70
4	Other Individuals	72,716,036	48.54
5	Body Corporates	8,398,220	5.61
6	Govt Agencies and Institutions	18,83,300	1.26
7	Nominees of others	20,992,055	14.0
	Total	149,804,135	100.00%

Financial Highlights

The financial highlights of the Company for the last three years are as follows:

in RM

Particulars	30-Jun-06	30-Jun-05	30-Jun-04
Share Capital	149,804,135.00	149,804,135.00	149,804,135.00
Reserves (Excluding Revaluation Reserve)	(114,863,284.00)	(111,904,059.00)	(106,127,078.00)
Net Worth*	34,940,851.00	37,900,076.00	43,677,057.00
Total Income	-	-	-
PAT	(2,959,225.00)	(5,776,981.00)	(5,855,178.00)
EPS (RM)	(1.98)	(3.86)	(3.91)
NAV Per Share (RM)	0.23	0.25	0.29
Face Value Per Share (RM)	1.00	1.00	1.00

Share Quotation

The shares of MultiVest Resources Berhad are listed on Main Board of Bursa Stock Exchange, Malaysia. The Stock Symbol is MVEST, Stock Code 1902, and the Counter is Plantations Products, Main Board. The highest and the lowest of the prices (in RM) of the shares in the last six months are as follows:

Month	Date	High	Volume	Date	Low	Volume
January, 2007	January 4, 2007	0.56	2442600	January 31, 2007	0.5	241000
February, 2007	February 26, 2007	0.64	2821500	February 6, 2007	0.5	329500
March, 2007	March 26, 2007	0.54	1712600	March 5, 2007	0.42	1237100
April, 2007	April 12, 2007	0.58	5252400	April 30, 2007	0.51	145500
May, 2007	May 4, 2007	0.53	401600	May 31, 2007	0.47	174000
June, 2007	June 26, 2007	0.99	14022100	June 4, 2007	0.49	185000

(Source: www.bursamalaysia.com)



The closing price of the shares of the Company on June 29, 2007 is RM 0.79. The Company has not made any capital issue of the shares in the preceeding three years.

The company has not listed its shares in India. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

2. Benta Plantations (Perak) Sdn. Bhd

The Company was incorporated on 17th day of March, 1967 under the Companies Act, 1965 in Malaysia. The Registered Office of the Company is located at Batu 7, Jalan Cangkat Jong, 36008, Teluk Intan, Perak, Malaysia. The authorised equity share capital of the company is RM 100,000,000 equity shares of RM 1.00 each. The Registration number of the Company is 007057 A. The principal activities of the Company are investment holding, cultivation of oil palm, and processing of palm oil.

Board of Directors

The Board of Directors of the Company is as follows;

1. Datuk K Ketheeswaran.
2. Dato' Ong Kim Hoay
3. Dato' Shahrom Bin Abdul Majid
4. Dato Nik Mohd Amin Bin Nik Abu Bakar
5. K Selveswaran
6. Dato' Shamsir Bin Omar

Shareholding Pattern:

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	MultiVest Resources Berhad	47,627,175	94.50
2	Tang Yow San	1	0.00
3	K Selveswaran	1	0.00
4	Lim Pian Chiang Holdings Sdn Bhd	1,621,049	3.22
5	Toh Whui Limited	1,134,974	2.25
6	The Administrator of the estate of Dato' Mohd Othman Bin Mohd Din, Deceased	800	0.00
7	Teoh Boon Beng @ Teoh Eng Kuan	1,000	0.00
8	Leong Kok Heng @Leong Kok Cheng	10,000	0.02
9	Dato' Chek Lin Kwai	5,000	0.01
	Total	50,400,000	100.00

Financial Highlights

The financial highlights of the Company for the last three years are as follows:

Particulars	<i>in RM</i>		
	30-Jun-06	30-Jun-05	30-Jun-04
Share Capital	50,400,000.00	50,400,000.00	50,400,000.00
Reserves (Excluding Revaluation Reserve)	(2,229,499.00)	(1,705,711.00)	(5,804,099.00)
Net Worth	48,170,501.00	48,694,289.00	44,595,901.00
Revenue	41,954,366.00	47,727,098.00	51,552,301.00
PAT	(523,788.00)	4,098,388.00	2,388,151.00
EPS (RM)	(0.01)	0.08	0.05
NAV Per Share (RM)	0.96	0.97	0.88
Face Value Per Share (RM)	1.00	1.00	1.00

The company is not listed its shares in India. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

3. Komplek Mutiara Sdn Bhd

The Company was incorporated on 4th day of September, 1981 under the Companies Act, 1965 in Malaysia. The Registered Office of the Company is located at 305 (Suite 1), Block E, Phileo Damansara 1, 9, Jalan 16/11, Off Jalan Damansara, 46350, Petaling Jaya, Selangor, Darul Ehsan. The authorised equity share capital of the company is

5,000,000 equity shares of RM 1.00 each. The Registration number of the Company is 075066 - A. The principal activity of the company is property holding.

Board of Directors

The Board of Directors of the Company is as follows;

1. K Selveswaran
2. Tang Yow San

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	MultiVest Resources Berhad	2,007,000	100.00
	Total	2,007,000	100.00

Financial Highlights

The financial highlights of the Company for the last three years are as follows:

in RM

Particulars	30-Jun-06	30-Jun-05	30-Jun-04
Share Capital	2,007,000.00	2,007,000.00	2,007,000.00
Reserves (Excluding Revaluation Reserve)	(3,525,023.00)	(3,508,131.00)	(3,502,685.00)
Net Worth	(1,518,023.00)	(1,501,131.00)	(1,495,685.00)
Total Income	-	-	-
PAT	(16,892.00)	(5,446.00)	(31,741.00)
EPS (RM)	(0.01)	(0.00)	(0.02)
NAV Per Share (RM)	(0.76)	(0.75)	(0.75)
Face Value Per Share (RM)	1.00	1.00	1.00

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

4. Lombard Street Sdn Bhd

The Company was incorporated on 13th day of March, 1996 under the Companies Act, 1965 in Malaysia. The name of the Company was changed to the present name from Best World Land (India) Sdn Bhd on 30th May 2003. The Registered Office of the Company is located at 305 (Suite 1), Block E, Phileo Damansara 1, 9, Jalan 16/11, Off Jalan Damansara, 46350, Petaling Jaya, Selangor, Darul Ehsan. The authorised equity share capital of the company is 1,000,000 equity shares of RM 1.00 each. The Registration number of the Company is 379622 - W. The principal activity of the company is investment holding.

Board of Directors

The Board of Directors of the Company is as follows:

1. K Selveswaran
2. Dato' Shahrom Bin Abdul Majid

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	MultiVest Resources Berhad	2	100.00
	Total	2	100.00

Financial Highlights

The financial highlights of the Company for the last three years are as follows:

in RM

Particulars	30-Jun-06	30-Jun-05	30-Jun-04
Share Capital	2.00	2.00	2.00
Reserves (Excluding Revaluation Reserve)	(1,850,881.00)	(1,809,716.00)	(103,908.00)
Net Worth	(1,850,879.00)	(1,809,714.00)	(103,906.00)



in RM

Particulars	30-Jun-06	30-Jun-05	30-Jun-04
Total Income	-	-	-
PAT	(41,165.00)	(1,705,808.00)	(1,231.00)
EPS (RM)	(20,582.50)	(852,904.00)	(615.50)
NAV Per Share (RM)	(925,439.50)	(904,857.00)	(51,953.00)
Face Value Per Share (RM)	1.00	1.00	1.00

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

5. Allegro Equity (M) Sdn. Bhd

The Company was incorporated on 18th day of October, 1990 under the Companies Act, 1965 in Malaysia. The name of the Company was changed to its present name from Best World Holdings Sdn Bhd on October 4, 2004. The Registered Office of the Company is located at 28, Jalan Pardana, Stulang Laut, Johor Bahru, 80300 Johor. The authorised equity share capital of the company is 25,000,000 equity shares of RM 1.00 each. The Registration number of the Company is 206545 - A. The company is an Investment holding company.

Board of Directors

The Board of Directors of the Company is as follows;

1. Datuk K Ketheeswaran
2. Y Bhg. Datin Char Wee Yong @ Vicky Char (F)

Shareholding Pattern

The shareholding pattern of the Company is as follows;

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	Datuk K Ketheeswaran	22,770,000	99.00
2	Datin Char Wee Yong @ Vicky Char (F)	230,000	1.00
	Total	23,000,000	100.00

Financial Highlights

The financial highlights of the Company for the last three years are as follows:

in RM

Particulars	31-Aug-06	31-Aug-05	31-Aug-04
Share Capital	23,000,000.00	23,000,000.00	23,000,000.00
Reserves (Excluding Revaluation Reserve)	(50,479.00)	(46,096.00)	(43,648.00)
Net Worth	22,949,521.00	22,953,904.00	22,956,352.00
Total Income	-	-	-
PAT	(4,383.00)	(2,448.00)	(7,272.00)
EPS (RM)	(0.00)	(0.00)	(0.00)
NAV Per Share (RM)	1.00	1.00	1.00
Face Value Per Share (RM)	1.00	1.00	1.00

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

6. Global International Ventures Group Limited

The Company was incorporated on 30th Day of November, 2004 under the International Companies Act (Cap 291) in the Territory of British Virgin Islands. The Registered Office of the Company is located at Unit 1202, 12/F, Malaysia Building, 50, Gloucester Road, Wanchai, Hong Kong. The authorised equity share capital of the company is US\$ 50,000 equity shares of US\$1.00 each. The I.B.C number of the Company is 627457. The company is an investment holding company.

Board of Directors

The Board of Directors of the Company is as follows;

1. Datuk K Ketheeswaran
2. Datuk Mohamed Nazim Bin Abdul Razak

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	Datuk K Ketheeswaran	1,000	50.00
2	Datuk Mohamed Nazim Bin Abdul Razak	1,000	50.00
	Total	2,000	100.00

Financial Highlights

The financial highlights of the Company since inception are as follows:

Particulars	US\$	
	01-01-2006 to 31-12-2006	30-11-2004 to 31-12-2005
Share Capital	2,000.00	2,000.00
Reserves (Excluding Revaluation Reserve)	-	-
Net Worth	2,000.00	2,000.00
Total Income	-	-
PAT	-	-
EPS	-	-
NAV Per Share	1.00	1.00
Face Value Per Share	1.00	1.00

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

7. Megha Pharma & Vaccines (M) Sdn Bhd

The Company was incorporated on 2nd day of July, 2001 under the Companies Act, 1965 in Malaysia. The Registered Office of the Company is located at Suite E1105, Level 11, Block E, Phileo Damansara 1, No 9, Jalan 16/11, Off Jalan Damansara, 46350, Petaling Jaya, Selangor, Darul Eshan. The authorised equity share capital of the company is RM 1,000,000 equity shares of RM 1.00 each. The Registration number of the Company is 552048 - H. The company is engaged in the import, distribution and manufacturing of medical products.

Board of Directors

The Board of Directors of the Company is as follows;

1. Tan Seri Datao' Seri Megat Junid Bin Megat Ayob
2. Datuk K Ketheeswaran
3. Dato' Shahrom Bin Abdul Majid
4. Dato Nik Mohd Amin Bin Nik Abu Bakar
5. Dr Krishnamoorthy

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	Unity Consolidated Sdn Bhd	850,000	85.00
2	Dato' Shahrom Bin Abdul Majid	100,000	10.00
3	Dr Krishnamoorthy	50,000	5.00
	Total	1,000,000	100.00

Financial Highlights

The financial highlights of the Company for the last three years are as follows:

Particulars	in RM		
	30-Jun-06	30-Jun-05	30-Jun-04
Share Capital	1,000,000.00	1,000,000.00	1,000,000.00
Reserves (Excluding Revaluation Reserve)	(300,201.00)	(589,644.00)	(925,631.00)
Net Worth	699,799.00	410,356.00	74,369.00
Total Income	4,349,799.00	3,664,449.00	1,398,734.00
PAT	289,443.00	335,987.00	(325,694.00)
EPS (RM)	0.29	0.34	(0.33)
NAV Per Share (RM)	0.70	0.41	0.07
Face Value Per Share (RM)	1.00	1.00	1.00



The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

8. Puas Emas Utilities Sdn. Bhd.

The Company was incorporated on 8th day of January, 2002 under the Companies Act, 1965 in Malaysia. The Registered Office of the Company is located at 305 (Suite 1), Block E, Phileo Damansara, 1, No.9, Jalan 16/11, Off Jalan Damansara, 46350, Petaling Jaya, Selangor, Darul Eshan. The authorised equity share capital of the company is RM 1,00,000 equity shares of RM 1.00 each. The Registration number of the Company is 568068 - M. The company is engaged in the business of water and waste water management.

Board of Directors

The Board of Directors of the Company is as follows:

1. Datuk K Ketheeswaran
2. Dato' Ong Kim Hoay
3. Dato' Seri Mohamad Noor Bin Abdul Rahim
4. Dato' Shahrom Bin Abdul Majid
5. Dato' Mohd Shariff Bin Ibrahim

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	Nilmas Corporation Sdn Bhd	51,000	51.00
2	Ceria Cergas Sdn Bhd	29,000	29.00
3	Dato' Mohd Shariff Bin Ibrahim	20,000	20.00
	Total	100,000	100.00

Financial Highlights

The financial highlights of the Company for the last three years are as follows:

in RM

Particulars	30-Jun-06	30-Jun-05	30-Jun-04
Share Capital	100,000.00	100,000.00	100,000.00
Reserves (Excluding Revaluation Reserve)	(669,175.00)	(669,574.00)	(667,494.00)
Net Worth	(569,175.00)	(569,574.00)	(567,494.00)
Total Income	2,000.00	-	-
PAT	399.00	(2,080.00)	(630,042.00)
EPS (RM)	0.00	(0.02)	(6.30)
NAV Per Share (RM)	(5.69)	(5.70)	(5.67)
Face Value Per Share (RM)	1.00	1.00	1.00

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company nor it is under winding up.

Ventures with which promoters have disassociated in the last 3 years: The Promoters have not disassociated themselves from any of the companies / firms during preceding three years other than as mentioned below:

1. Innobiovest Sdn. Bhd.

The Company was originally incorporated as Puas Emas Sdn Bhd on 31st May 2000 under the Companies Act, 1965 in Malaysia. The name of the Company was changed to Innobiovest Sdn Bhd on 8th January, 2004. The Registered Office of the Company is located at Suite 5.3 A, Level 5, Menara Pelangi, No 2, Jalan Kuning, Taman Pelangi, 80400, Johor Bahru, Johor. The authorised equity share capital of the company is RM 1,000,000 equity shares of RM 1.00 each. The Registration number of the Company is 515618 -W. The company is engaged in the business of water and waste water management.

Board of Directors

The Board of Directors of the Company is as follows:

1. Datuk K Ketheeswaran
2. Dato Kamaruddin Bin Mohd. Jamal

Shareholding Pattern

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	K Selveswaran	50,000	50.00
2	Tang Yow San	50,000	50.00
	Total	100,000	100.00

Financial Highlights

The financial highlights of the Company for the last three years are as follows:

in RM

Particulars	30-Jun-06	30-Jun-05	30-Jun-04
Share Capital	100,000.00	100,000.00	100,000.00
Reserves (Excluding Revaluation Reserve)	(134,005.27)	(132,099.27)	(130,629.00)
Net Worth	(34,005.27)	(32,099.27)	(30,629.00)
Total Revenue	-	-	766,654.00
PAT	(1,906.00)	(1,470.00)	764,934.00
EPS (RM)	(0.02)	(0.01)	7.65
NAV Per Share (RM)	(0.34)	(0.32)	(0.31)
Face Value Per Share (RM)	1.00	1.00	1.00

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.

The Company has received a letter dated 19.03.2007 from the Companies Commission of Malaysia under Section 308 (1) of the Companies Act, 1965 for cancellation of the name of the Company from the registrar, since the Company is believed to be not operating its business or dormant. The Company has replied to the notice as on May 31, 2007.

2. Megha Medi Equipment Sdn Bhd

The Company was incorporated on June 11, 2003 under the Companies Act, 1965 in Malaysia. The Registered Office of the Company is located at Suite E1103, Level 11, Block E, Pusta Dagangan Phileo Damansara 1, No 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor. The authorised equity share capital of the company is RM 100,000 equity shares of RM 1.00 each. The Registration number of the Company is 618087 - V. The company is engaged in the business of manufacturing and the dealing in medical and surgical equipments, medicines and drugs.

Board of Directors

The Board of Directors of the Company is as follows:

1. Datuk K Ketheeswaran
2. Tan Seri Datao Seri Megat Junid Bin Megat Ayob
3. Dato' Nik Mohd Amin Bin Nik Abu Bakar

Shareholding Pattern:

The shareholding pattern of the Company is as follows:

Sr. No.	Name of Shareholder	Number of Equity Shares	% of holding
1	K Selveswaran	51	51.00
2	Tang Yow San	49	49.00
	Total	100	100.00

Financial Highlights

The financial highlights of the Company since inception are as follows:

in RM

Particulars	30-Jun-06	30-Jun-05	6/11/2003 TO 6/30/2004
Share Capital	100.00	100.00	100.00
Reserves (Excluding Revaluation Reserve)	(5,761.75)	(4,743.25)	(2,800.00)
Net Worth	(5,661.75)	(4,643.25)	(2,700.00)
Total Income	-	-	-
PAT	(1,018.50)	(1,943.25)	(2,800.00)
EPS (RM)	(10.19)	(19.43)	(28.00)



in RM

Particulars	30-Jun-06	30-Jun-05	6/11/2003 TO 6/30/2004
NAV Per Share (RM)	(56.62)	(46.43)	(27.00)
Face Value Per Share (RM)	1.00	1.00	1.00

The company is not a listed company. Being a Company situated out of India, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.

The Company has received a letter dated 19.03.2007 from the Companies Commission of Malaysia under Section 308 (1) of the Companies Act, 1965 for cancellation of the name of the Company from the registrar, since the Company is believed to be not operating its business or dormant. The Company has replied to the notice as on May 31, 2007.

3. Drishti India Limited

The promoters had signed a share acquisition agreement with the promoters of Drishti India Limited. The terms of the agreement were not met and accordingly the shares were returned to the erstwhile promoters as per the agreement. The disassociation was effective October 2, 2006

4. Lombard Street Estates India Private Limited

The promoters disassociated from the company not being the core business of the group on July 12, 2006.

Details of other companies /firms with which Promoters are associated: As stated above

Listed Ventures of the Promoters: The promoters have no listed ventures in India.

Other relevant details about the group companies

There are no sales or purchase between companies in the Promoters' group, wherein such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the Issuer Company. The material items of income or expenditure arising out of transactions in the Promoters' group are disclosed under "Related Party Disclosures" on Page [●] of this Draft Red Herring Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with financial statements included in this Draft Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page [•] of this Draft Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations.

The following discussions are based on restated financial statements for the financial year ended March 31, 2002; March 31, 2003; March 31, 2004; March 31, 2005; 13 month period ended April 30, 2006 and 9 month period ended January 31, 2007 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources.

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

a. Overview of the Business

MidValley Entertainment Limited is one of the leading players in the media and entertainment industry in South India. We are engaged in the media and entertainment activity from concept to completion. We produce, distribute and exhibit movies both in Indian and foreign languages. We intend to emerge as one of the leading theatre chain in Southern India. We currently operate 69 theatres in distribution territories of Hyderabad and Tamil Nadu.

MidValley currently focuses on the following business areas:

- Production of movies
- Distribution of movies
- Exhibition of movies

The company is based out of Chennai, Tamil Nadu, India and is active in exhibition business and operates a theater chain in Southern India besides producing and distributing movies. India is a growing entertainment market, however, there is a lack of quality theatres beyond the metros and some of the Tier-I towns and video piracy and home viewing has made a dent on theatre collections. We are in the process of creating a chain of theatres under our management and operational control. We intend to converge into a media and entertainment company having presence in production, distribution and exhibition thus integrating the production and the last mile access platform for movie delivery and our presence from script to screen.

MidValley has embarked on a project to lease in theatres in southern states and convert the same into a pleasant viewing experience for movie watchers. It intends to upgrade the infrastructure in these theatres and install digital projection equipment with an objective is to take movies to the Indian masses. The company had already leased in 69 theatres and is in the process of acquiring more such theatres. The company intends to focus on B and C class towns initially. We intend to use digital technology and convert the theatres leased in by us into digital theme theatres.

Key Strengths and growth drivers

The single screen theatres today are suffering due to:

- poor quality of theatrical infrastructure
- poor services due to years of neglect of infrastructural and qualitative improvements
- unhygienic conditions
- poor seating and
- outdated equipments

MidValley believes that the performance of single screen theatres would improve if the management is professionalized and a chain of theatres takes over the operation and maintenance of the theatres bringing economies of scale and bargaining power with distributors. As of today, a movie screening in B and C class towns is ~ 30 days post the date of release and the revenue potential of these cities is not completely tapped. MidValley intends to have better bargaining power with distributors and thus release the movies in B and C centers along with release of the movie, this would mean that movies would be released when there is still an aura of inquisitiveness around them even in B and Class cities.



In all as on June 30, 2007, we have tied up a total of 69 single screens of existing theatres in the territories of Tamil Nadu and Hyderabad. The combined number of seats available across the theatres in our chain is approximately 47000.

Business Strategy

Our goal is to create a strong theatre chain in southern India. Our strategy is to acquire the existing single screen theatres on lease and convert them into digital theatres and improve there ambience and outlook and to make movie going a part of life for viewers and bring the latest releases to the theatres thereby being in market at the time when there is a demand.

Economics of Digital Cinema:

1. Savings in production
2. Digital cinema can also reduce costs while shooting and editing.
3. Savings in distribution
4. An added incentive for exhibitors is the ability to show alternative content such as live special events, sports, pre-show advertising and other digital or video content.
5. Greater protection for content

MidValley has decided to go with DLP 3-Chip technology for its theatre chain.

Finance and Financial Risks

Our expansion plans for the screening business is dependent on the proceeds of the Issue. Any delay in the receipt of the proceeds of the Issue would affect our ability to acquire the lease rights and penetration in the key markets.

Risks and Concerns

The company being in the media and entertainment business has its usual risks associated with the Industry. The company endeavors to mitigate the risks.

b. Significant developments subsequent to the last financial year

The Directors confirm that there have been no events or circumstances since the date of the last financial statements as disclosed in the Draft Red Herring Prospectus which materially or adversely affect or is likely affect the trading or profitability of the company, or the value of its assets, or its ability to pay liabilities within next twelve months.

c. Factors that may affect Results of the operations

Except as otherwise stated in this Draft Red Herring Prospectus, the Risk Factors given in this Draft Red Herring Prospectus and the following important factors could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;
- Company's ability to successfully implement its strategy and its growth and expansion plans;
- Factors affecting entertainment activity;
- Increasing competition in the industry;
- Manufacturers' defects or mechanical problems with Company's plant & machineries or incidents caused by human error;
- Cyclical or seasonal fluctuations in the operating results;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

d. Discussion on Results of Operations

The following discussion of our financial condition and results of operations should be read together with the audited financial statements for 9 month period ended on January 31, 2007, 13 month period ended April 30, 2006, 12months period ended March 31, 2005, 2004, 2003 and 2002 including the notes thereto and the reports thereon which appear in the Draft Red Herring Prospectus. The Audited Financial Statements are prepared in accordance with the Indian Accounting Standards

(Amount Rs. in Lacs)

Particulars	Period / Year Ended			
	9 month 31-Jan-07	13 month 30-Apr-06	12 month 31-Mar-05	12 month 31-Mar-04
INCOME				
Production				
Export of Serials and Films	-	7.41	10.14	52.19
Income from Serials	-	-	-	20.00
Sale of Programs / Feature Films	299.00	1,282.38	1,300.67	-
Sale of Cassettes	-	-	-	0.05
Distribution				
Distribution of Films	937.05	-	243.84	-
Sale of Rights	-	-	0.08	868.86
Exhibition				
Theatre Collection	2,761.27	45.88	0.60	-
Theatre Stall Income	4.11	0.30	-	-
Theatre Slide Show Income	-	0.03	-	-
Others				
Other Income	1.75	4.70	9.09	-
Total	4,003.18	1,340.70	1,564.42	941.10
EXPENDITURE				
Cost of Production/ Distribution/ Purchase of Films	2,967.25	919.76	1,354.72	850.40
Administrative Expenses	56.09	61.02	107.57	35.62
Interest	1.10	1.16	14.71	21.20
Depreciation	19.14	26.76	14.98	17.94
Preliminary Expenses written off	7.70	9.50	7.74	7.74
Total	3,051.28	1,018.20	1,499.72	932.90
Adjusted Profit Before Tax and Extraordinary items	951.90	322.50	64.70	8.20
Less: Provision for Tax				
- Current Tax	314.50	116.22	26.57	0.62
- Deferred Tax	-	24.40	6.24	(21.91)
- Fringe Benefit Tax	-	0.66	-	-
Adjusted Profit Before Extraordinary Items	637.40	181.22	31.89	29.49
Add: Extraordinary Items				
- Surplus on OTS with Bank	-	88.85	-	-
- Profit on Sale of Land	-	67.08	-	-
- Profit on Sale of Subsidiary	87.92	-	-	-
Net Profit After Adjustment and Extraordinary Items	725.32	337.15	31.89	29.49

Results of Operations:**i. 9 month period ended January 31, 2007:**

- The revenues from production business were on account of the outright sale of the movie 'Infinite Justice' the production cost for the same was Rs. 225.00 lacs.
- The production unit of the company commenced production of Seena Thana 001 during the period.
- Our company has expanded its theatre operation in Tamil Nadu and Hyderabad.
- The detailed theatre collections from our operated theatres are as follows:

Theatre Region	Amount
Tamil Nadu	1050.98
Hyderabad	1709.70
Others	0.59
Total	2761.27

- The details of operating expenses on theatres managed by us were as follows:



Rs. in lacs

Theatre Region	Amount
Tamil Nadu	751.01
Hyderabad	1319.99
Total	2071.00

- The distribution division contributed Rs. 937.05 lacs to Revenues, the breakup of the same is as under:

Rs. in lacs

Name of the Title - Movie	Amount
Hollywood Girls - Dead or Alive	110.65
Pirates of the Carribean: Dead Mans Chest	372.95
Thambi	453.45
Total	937.05

- The company acquired distribution rights for the film “Thambi” ‘Pirates of The Carribean’ and Hollywood Girls. The Details of Distribution cost for the above three films are as follows:

Rs. in lacs

Name of the Title - Movie	Amount
Hollywood Girls – Dead or Alive	45.46
Pirates of the Carribean: Dead Mans Chest	282.74
Thambi	341.16
Total	647.17

ii. 13 month ended April 30, 2006

- The revenues from production business were constituted by the following:

Rs. in lacs

Name of the Title - Movie	Amount
Sukran ,Ponniyan selvan, Sivakasi	275.00
Take 2	115.00
Thambi	222.17
Others	210.29
Service charges*	119.74
Total	1282.38

*The company provided services such as arranging shooting spots, camera lights, cinema sets, etc., earning Rs.119.74 lakhs. The detailed break up of the of service charges received are as follows:

Rs. in lacs

Name of the Title - Movie	Amount
Bawarchi	22.22
Take 2	11.50
Provoked	15.00
Thambi	34.02
Others	37.00
Total	119.74

- During the period the company produced the following feature films and the total production expenses incurred is as below:

Rs. in lacs

Name of the Title - Movie	Amount
Bawarchi	227.17
Take 2	110.00
Thambi	300.94
Others	0.45
Total	638.56

- The company acquired satellite rights for the films Sivakasi, Sukran and Ponniyan Selvan for which it paid Rs. 250.00 lacs
- The company commenced its operations in the Exhibition business and generated a small revenue of Rs. 46.21 lacs from the said business. Out of which Rs. 45.49 lacs was from Tamil Nadu and Rs. 0.39 lacs was from Hyderabad region
- The theatre expenses including rent, publicity and distributors share were Rs. 31.30 lacs during the period.

iii. Financial Year ended on March 31, 2005

- The details of the sales of feature films during the period is as follows:

<i>Rs. in lacs</i>	
Name of the Title - Movie	Amount
Bawarchi	387.17
Backwaters	170.00
Take 2	325.00
Love you hamesha	418.50
Exports	10.14
Total	1310.81

- The details of production expenses during the year were as under:

<i>Rs. in lacs</i>	
Name of the Title - Movie	Amount
Bawarchi	359.91
Backwaters	143.67
Take 2	290.13
Love you hamesha	491.21
Total	1284.92

- Company has earned commission by the sale of feature films. The details of commission earned and are as follows:

<i>Rs. in lacs</i>	
Name of the Title - Movie	Amount
Arasaktchi	46.41
Ayutham	20.50
Thambi / Provoked	176.94
Total	243.85

iv. Financial Year ended on March 31, 2004

- The company has sold the rights for the film Arasachi during the year 2004
- The company also made export of TV Serials

e. Comparison of Recent Financial Years / Periods with Previous Financial Years / Periods**Financial performance for the 9 month period ended January 31, 2007 vs. 13 month financial period ended on April 30, 2006****Major Events:**

Production of Tamil movie “Seena Thaana 001” commenced. The audio for the movie is slated to released on July 7, 2007. The company also bought the distribution rights for ‘Agaram’ in Madurai (MR) and Telugu film “Arahan” in Andhra (dubbed Korean language film). Pirates of the Caribbean: Dead Man's Chest was produced by Walt Disney and was distributed by us in the States of Tamil Nadu and Kerala. It was one of the successful movies and a box office hit. Also the company acquired distribution rights for Dead or Alive (Hollywood Girls), in Chennai City and North Arcot District, South Arcot District and Chengalpet Districts in Tamil Nadu.

Revenues:

The Total Income increased from Rs. 1,340.70 lacs for the 13 month period ended on April 30, 2006 to 4003.18 lacs for the 9 month period ended on January 31, 2007. The increase in revenues was result of focus on exhibition / screening segment. The composition of the revenues out of the 3 segments that it operates in for 9 month period ended on January 31, 2007 is as under:

Particulars	9 month period ended January 31, 2007	%	13 month period ended April 30, 2006	%
Production	299.00	7.47%	1,289.79	96.20%
Distribution	937.05	23.41%	-	0.00%
Exhibition	2,765.38	69.08%	46.21	3.45%
Others	1.75	0.04%	4.70	0.35%
Total	4,003.18	100.00%	1,340.70	100.00%

The percentage of revenues derived from Exhibition business increased from 3.45% for the last period to 69.08% during the period ended January 31, 2007.

**Other Income:**

Other Income for the period reduced from Rs. 4.70 lacs to Rs. 1.75 lacs on account of reduction in bank interest and income from FD.

Operating Expenses:

The operating expenses shot up from Rs. 919.76 lacs to Rs. 2967.25 lacs. Also, the percentage of operating expenses to Total Income increased to 74.12% as compared to 68.60% over the previous period. The increase in the operating expenses was on account of focus on the exhibition business.

Administrative Expenses:

The administrative expenses reduced from Rs. 61.02 lacs for the 13 month period ended to 56.09 lacs to for the 9 month period ended January 31, 2007.

Interest:

Interest payment was Rs. 1.10 lacs for the 9 month period ended on January 31, 2007 as compared to Rs. 1.16 lacs for 13 month period ended on April 30, 2006.

Depreciation:

The depreciation for the 13 month period ended April 30, 2006 was Rs. 26.76 lacs and the comparative for the 9 month period ended was Rs. 19.14 lacs.

Profitability:

PAT for the 9 month period ended January 31, 2007 was Rs. 725.32 lacs as compared to Rs. 337.15 lacs for the previous 13 month period ended on April 30, 2006. The PAT included an extraordinary item (post tax) of Rs. 87.92 lacs on sale of the subsidiary of the company. The PAT before the extraordinary item was Rs. 637.40 lacs.

Financial performance for the 13 month period ended April 30, 2006 vs. FY 2004-05

Major Events: The company co-produced and distributed 'Thambi' feature film both in Tamil and Telugu that completed 100 days in several centres of the State.

The company extended its financial year by a month to end on April 30, 2006 so as to co-inside with the year ending of the subsidiaries. The company also forayed into the exhibition business by way of acquiring operating lease of theatres.

Revenues:

The Total Income reduced from Rs. 1564.42 lacs for the FY ended on March 31, 2005 to Rs. 1340.70 lacs for the 13 month period ended on April 30, 2006. The reduction in revenues was result of no revenues being derived from distribution during the period. The period also witnessed marginal reduction in the revenues from production to Rs. 1289.71 lacs as compared to Rs. 1310.81 lacs for FY 2005. The company composition of the revenues out of the 3 segments that it operates in for 13 month period ended on April 30, 2006 vis-à-vis FY 2005 is as under:

Particulars	13 month period ended April 30, 2006	%	FY ended March 31, 2005	%
Production	1,289.79	96.20%	1,310.81	83.79%
Distribution	-	0.00%	243.92	15.59%
Exhibition	46.21	3.45%	0.60	0.04%
Others	4.70	0.35%	9.09	0.58%
Total	1,340.70	100.00%	1,564.42	100.00%

The percentage of revenues derived from production business increased from 83.79% for the last FY to 96.20% during the 13 period ended April 30, 2006.

Other Income:

Other Income for the 13 month period ended April 30, 2006 reduced from Rs. 9.09 lacs to Rs. 4.70 lacs on account of reduction in bank miscellaneous income.

Operating Expenses:

The operating expenses reduced from Rs. 1354.72 lacs to Rs. 919.76 lacs during period as compared to the previous year. Also, the percentage of operating expenses to Total Income reduced from 86.60% to 68.60% compared to the previous FY.

Administrative Expenses:

The administrative expenses reduced from Rs. 107.57 lacs for FY 2005 to Rs. 61.02 lacs to for the 13 month period ended April 30, 2006.

Interest:

Interest payment was Rs. 1.16 lacs for the 13 month period ended on April 30, 2006 as compared to Rs. 14.71 lacs for the previous FY.

Depreciation:

The depreciation for FY 2005 was Rs. 14.98 lacs and the comparative for the 13 month period ended April 30, 2006 was Rs. 26.76 lacs.

Profitability:

PAT for the 13 month period ended April 30, 2006 was Rs. 337.15 lacs as compared to Rs. 31.89 lacs for the previous financial year. The PAT included an extraordinary item (post tax) of Rs. 155.93 lacs on an OTS with City Union Bank wherein the land of the company was sold in settlement of the debts. The PAT before the extraordinary item was Rs. 181.22 lacs.

Financial performance for the FY 2004-05 vs. FY 2003-04**Revenues:**

The Total Income increased from Rs. 941.10 lacs for the FY 2004 to Rs. 1564.42 lacs for FY 2005. The increase on revenues was result of increase in revenues from production business that contributed 1310.81 lacs. The period also witnessed reduction in distribution revenues to Rs. 243.92 lacs as compared to 868.86 lacs during the previous FY. The composition of the revenues out of the 3 segments that it operates in for FY 2005 vis-à-vis FY 2004 is as under:

Particulars	FY ended		FY ended	
	March 31, 2005	%	March 31, 2004	%
Production	1,310.81	83.79%	72.24	7.68%
Distribution	243.92	15.59%	868.86	92.32%
Exhibition	0.60	0.04%	-	0.00%
Others	9.09	0.58%	-	0.00%
Total	1,564.42	100.00%	941.10	100.00%

The percentage of revenues derived from production business increased from 7.68% for the last FY to 83.79% during the current FY ending 2005.

Other Income:

Other Income for FY 2005 increased to 9.09 lacs as compared to Nil over the previous FY.

Operating Expenses:

The operating expenses increased from Rs. 850.40 lacs to Rs. 1354.72 lacs during FY 2005 as compared to the previous year. Also, the percentage of operating expenses to Total Income reduced from 90.36% to 86.60% compared to the previous FY.

Administrative Expenses:

The administrative expenses increased from Rs. 35.62 lacs for FY 2004 to Rs. 107.57 lacs to for the current FY.

Interest:

Interest payment was Rs. 14.71 lacs for FY 2005 as compared to Rs. 21.20 lacs for the previous FY.

Depreciation:

The depreciation for FY 2004 was Rs. 17.94 lacs and the comparative for the current FY was Rs. 14.98 lacs.

Profitability:

PAT for FY 2005 was Rs. 31.89 lacs as compared to Rs. 29.49 lacs for the previous financial year.

Financial performance for the FY 2003-04 vs. FY 2002-03**Revenues:**

The Total Income increased from Rs. 527.32 lacs for the FY 2003 to Rs. 941.10 lacs for FY 2004. The increase in revenues was result of enhanced contribution from distribution vertical that contributed Rs. 868.86 lacs. The period also witnessed reduction in production revenues to Rs. 72.24 lacs as compared to 153.55 lacs during the previous FY. The composition of the revenues out of the 3 segments that it operates in for FY 2004 vis-à-vis FY 2003 is as under:



Particulars	FY ended		FY ended	
	March 31, 2004	%	March 31, 2003	%
Production	72.24	7.68%	153.55	29.12%
Distribution	868.86	92.32%	373.45	70.82%
Exhibition	-	0.00%	-	0.00%
Others	-	0.00%	0.32	0.06%
Total	941.10	100.00%	527.32	100.00%

The percentage of revenues derived from distribution business increased from 70.82% for the last FY to 92.32% during the current FY ending 2004.

Other Income:

Other Income for FY 2004 was Nil as compared to Rs. 0.32 lacs for the previous FY.

Operating Expenses:

The operating expenses increased from Rs. 408.43 lacs to Rs. 850.40 lacs during FY 2004 as compared to the previous year. Also, the percentage of operating expenses to Total Income increased from 77.45% to 90.36% compared to the previous FY.

Administrative Expenses:

The administrative expenses were reduced from Rs. 47.06 lacs for FY 2003 to Rs. 35.62 lacs to for the current FY.

Interest:

Interest payment was Rs. 21.20 lacs for FY 2004 as compared to Rs. 14.71 lacs for the previous FY.

Depreciation:

The depreciation for FY 2003 was Rs. 23.65 lacs and the comparative for the current FY was Rs. 17.94 lacs.

Profitability:

PAT for FY 2004 was Rs. 29.49 lacs as compared to Rs. 20.07 lacs for the previous financial year.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

There have been no events, to the best of our knowledge, other than as described in this Draft Red Herring Prospectus, which may be called “unusual” or “infrequent”.

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

There have been no significant changes in the laws governing the media and entertainment business in the recent past, however the government of Tamil Nadu has imposed a ceiling on the ticket prices at gate for theatres w.e.f. January 1, 2007. In the distribution business the Company’s costs are driven by its cost of acquisition of movie rights and production cost and the comparable revenues derived from the sale of the rights. The prices are uncertain due to no prior knowledge of the success / failure of the rights in question. These economic changes could significantly affect income from continuing operations.

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

Uncertainty prevails in availability of new, remunerative and appropriately priced supply of themes continuously. Few themes acquired at uneconomical prices may result in pressure on margins and values. In addition to above, low turnout and expected hardening of interest rates may affect company’s operating, margins and profits. Other than as described in this Draft Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that have or had or are expected to have a materially adverse impact on revenue or income of the Company from continuing operations.

4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known

The Company is continuously working to create efficient processes resulting in cost reduction and have a better control over its activities. Other than as described in this Draft Red Herring Prospectus, to our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

5. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

The increase / decrease in turnover is on account of release of new movies, acquisition and sale of distribution rights and exhibition screens.

6. Total turnover of each major industry segment in which the Company operated

The Company is operating in production, distribution and exhibition of movies. However, there are no authenticated published data available to the Company for total turnover of the Industry.

7. Status of any publicly as announced new products a business segment

The company has firm plans in place to go in for the projects envisaged under headings Cost of Project. Besides there has been no announcement of any new products or business segment.

8. The extent to which the business is Seasonal

Our business is seasonal in nature. Our revenues are higher during the April-June and October- December quarters. Our revenues increase in the third quarter of financial year (October-December quarter) due to the occurrence of festivals like Durga Puja, Diwali, Christmas, etc, as well as during the summer vacation season (April-June quarter), during which time the film industry generally reports higher revenues. As a result of this, our quarter-to-quarter and even year on year results may not be comparable or a meaningful indicator of its future performance.

9. Dependence on single or few suppliers / customers

The company distributes and exhibits movies of various producers as and when released. Also the customers of the company in exhibition business are the movie goers. In case of sources movies produced in-house the company intends to distribute the movies through its own chain of theatres. The company does not foresee business risk arising from the suppliers / customers.

10. Competitive conditions

The Company is in the business of production, distribution and exhibition of movies. Being a script to screen media company, with focus on screening business and strong existing relationships and a strong marketing set up, the company would be able to manage competitive conditions to its advantage.



SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS, DEFAULTS AND MATERIAL DEVELOPMENTS

Except for the details of proceedings given below, there are no outstanding litigation suits or criminal or civil prosecution, proceedings or tax liabilities against the Company, Directors or Promoters. There are no defaults, non- payment of statutory dues, overdues to banks / financial institutions. There are no defaults in dues payable to holders of any debentures, bonds or fixed deposits. There are no arrears on preference shares issued by the company. There are no defaults in creation of full security as per terms of the issue / other liabilities. There are no proceedings initiated for civil / economic / 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 I of Schedule XIII of the Companies Act, 1956) that would result in a material adverse effect on company's consolidated business taken as a whole.

a. Outstanding litigations involving MidValley Entertainment Limited

i. Criminal Law: Nil

ii. Securities Law: Nil

iii. Statutory Laws including tax disputes

Sr. No.	Date	Nature of Proceeding	File No.	Department	Amount Involved	Current Status
1.	26-05-2007	Arrear Demand pending for the Assessment year 2001 - 2002	No. Arrears/A CIT-7(1)/07-08	Office of the Assistant Commissioner of Income Tax Circle – 7(1)	Rs. 74.02 lacs	The Assessing officer had passed an order in terms of Section 143(3) read with Section 147 of the Income Tax Act, 1961. Company has preferred an appeal in terms of Section 246 filed vide application dated April 26, 2007.

iv. Civil Laws: Nil

v. Labour Laws: Nil

vi. Others: Nil

b. Outstanding Litigations involving Subsidiaries

As on the date of this DRHP, the Company has no subsidiaries.

c. Outstanding Litigations involving Directors of the Company

There are no outstanding litigations against any Directors of the company.

d. Outstanding Litigations involving Promoters and Promoter Group Companies

There are no outstanding litigations against the Promoters and Promoter Group Companies.

e. Litigations post filing of the Draft Offer Document:

will be updated in due course

Defaults

The company had defaulted on the Loan for an amount of City Union Bank and made a onetime settlement with city union Bank, Chennai. As against the book liability of Rs 2,73,62,324/-, the company has made a payment of Rs 1,70,00,000/-. The balance of Rs1,03,62,324 is credited to profit and loss account as an extra ordinary item for the period ended on April 30, 2006.

Material Developments since the last Balance sheet date:

There have been no material developments after the date of last balance sheet i.e. January 31, 2007. In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statement disclosed in the Draft Red Herring Prospectus, any circumstances that materially and adversely affect or are likely to affect the trading or profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months (as per accounting standard 4 of the ICAI). However, we have received a Term loan to the tune of Rs. 1400 lacs from State Bank of India, Chennai.

In addition to the Book Running Lead Manager, the Issuer is also obliged to update the offer document and keep the public informed of any material changes till the listing and trading commencement.

GOVERNMENT AND OTHER STATUTORY APPROVALS

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

In view of the approvals listed below, the Company can undertake this Issue and its current business activities and no further major approvals from any statutory authority are required to continue those activities. We further undertake to take steps in compliance with applicable laws to obtain any other license, permission and approvals if required to undertake any of its proposed activities.

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

Approvals Material to the Issue

We have received the following material approvals relating to the Issue:

1. Letter dated [●] Issued by the Bombay Stock Exchange Limited giving our company the in-principle approval for the issue of Equity Shares and the use of name of the Bombay Stock Exchange Limited in the Red Herring Prospectus.
2. Letter dated [●] Issued by the National Stock Exchange of India Limited giving our company the in-principle approval for the issue of Equity Shares and the use of name of the National Stock Exchange of India Limited in the Red Herring Prospectus.
3. The Board of Directors has pursuant to a resolution dated July 3, 2006 approved the issue.
4. The Shareholders of our company have pursuant to a resolution dated August 9, 2006 under section 81(1A) of the Companies Act, 1956, authorized the issue.

Corporate Approvals

Sr. No.	Issuing Authority	Date	Registration No.	Nature of Registration
1.	Registrar of Companies, Karnataka	July 12, 1989	08/10238 of 1989-90	Certificate of Incorporation
2.	Registrar of Companies, Karnataka	January 1, 2000		Certificate of Name Change from CTV Entertainment Pvt. Ltd to CEE (I) TV Entertainment Pvt. Ltd
3.	Registrar of Companies, Karnataka	February 4, 2000		Certificate for Conversion from Private Limited Company to Public Limited Company
4.	Registrar of Companies, Karnataka	December 27, 2005	STA(R) pl0238/CN/21/2005	Certificate of name change from CEE (I) TV Entertainment Ltd to MidValley Entertainment Limited
5.	Company Law Board	July 6, 2006 ext. on Nov. 28, 2006	C.P. No. 334/17/SRB/2006	Change of Registered office from Karnataka to Tamil Nadu
6.	Ministry of Company Affairs	February 7, 2007		Certificate of Registration of Company Law Board order for shifting of Registered office from State of Karnataka to State of Tamil Nadu.
7.	Income Tax Department*	February 4, 2000	AABCC3634J	Permanent Account Number
8.	Income Tax Department	-	CHECO2071C	Tax Deduction Account Number

* PAN is in the former name of the Company i.e. CEE (I) TV Entertainment Ltd. However an application has been made to appropriate authority to change the name of the Company on PAN Card.

The company has not applied for the following approvals that are not mandatorily required or is exempt from compliance in view of any prevailing law:

– **Tamil Nadu Shops and Establishments Act**

It is applicable for the Company, however the company is not required to get any Registration under the Act but it is required to comply with some provisions of the Act, like maintenance of certain records, Registers etc. that are being complied by the Company.



– **Sales Tax**

The Company is exempted from the scope of the Sales Tax Act, hence no formality is required to be complied with.

– **Investment Approvals**

As per the current schedule issued by the Reserve Bank of India vide notification No. FEMA 20/2000-RB dated May 3, 2000, as amended vide notification No. FEMA 94-RB dated June 18, 2003, 100% Foreign Direct Investment is allowed through the automatic route with no entry level condition into Film Sectors (Film production, exhibition and distribution including related Services / products)

Besides the following approvals are required by the company in order to carry on the business of the company:

– **Professional tax**

Professional Tax Act is applicable to the Company, however the company has not yet applied for Registration under the Act.

– **Employees State Insurance Act**

Employees State insurance Act is applicable to the Company, however the company has not yet applied for being Registered under the Act.

– **Employees Provident Fund Act**

The Provisions of the Employees Provident Fund Act is applicable to the Company and the company has applied vide its application dated June 16, 2007 to the Regional P.F. Commissioner, EPFO organization, 37, Roypettah High Road, Chennai -14, for getting necessary registration in this connection.

– **Approval regarding appointment of Foreign Nationals as Directors:**

Applications have been made in Form-25A to the R.O.C, Chennai, Tamil Nadu /Ministry of Corporate Affairs on April 13, 2007 with respect to the following foreign nationals in order to get central government approval for their appointment as director of the company.

1. Datuk K. Ketheeswaran

2. R. Chandrasegaran

The company is awaiting the above approvals.

– **Approvals for Inward Remittance and Allotment to Non Residents:**

The promoters have on various occasions (as defined in capital structure) subscribed to the share capital of the company to the tune of Rs. 1,536.5711 lacs (including premium). Form FC-GPR has been filed by the company in respect of inward remittance and allotment of Shares to Promoter / Promoter group Non Resident Shareholders. However the approval / acknowledgement of RBI have not yet been received.

– **Approvals for Inward Remittance and Transfer to Non Residents:**

The promoter /promoter group have acquired 15,93,333 Equity shares from the erstwhile promoters of the company. However the requisite RBI approval for the transfer of shares from a resident to a non-resident has not been obtained. The quantum of funds involved is Rs. 239.00 lacs.

– **Approvals for Intellectual Property Rights**

The following Trademark Applications have been filed by the Company before the Registrar of Trademarks, Chennai under the Trade Marks Act, 1999.

Marks	Appl. No	Class	Description	Status
MidValley	1396802	38	Telecommunications	Advertised in Trademark Journal No. 1348 on July 16, 2006 and made know to public on September 11, 2006
MidValley	1396803	41	Education, Providing training, entertainment, sporting and cultural activities	Advertised in Trademark Journal No. 1348 on July 16, 2006 and made know to public on September 11, 2006
MidValley	1396804	9	Scientific, natural, surveying, electric, photographic, cinematographic, transmission or reproduction of sound or images, magnetic data carriers, recording discs, automatic vending machines and mechanisms	Advertised in Trademark Journal No. 1348 on July 16, 2006 and made know to public on September 11, 2006

Marks	Appl. No	Class	Description	Status
MidValley	1396805	16	Paper, cardboard and goods made from these materials, not included in other classes, printed matter, book binding material, photographs, stationery adhesives for stationery or household purposes, artists, materials, paints, brushes, office requisites(except furniture) instructional and teaching material(except apparatus), plastic materials for packaging (not included in other classes), Playing cards, printers type, printing books.	Advertised in Trademark Journal No. 1348 on July 16, 2006 and made know to public on September 11, 2006



SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors of our Company has, pursuant to resolution passed at its meeting held on July 3, 2006, authorized the Issue subject to the approval by shareholders of our Company under section 81(1A) of the Companies Act, and such other authorities as may be necessary. Our Board has, pursuant to a resolution dated March 14, 2007 formed a committee of its Directors, referred to as the IPO Committee which has been authorized by the Board to execute and perform all necessary deeds, documents, assurances, acts and things in connection with the Issue on behalf of the Board.

Our shareholders have authorized the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the extraordinary general meeting of our Company held on August 9, 2006 at the registered office of our Company.

Our Board has approved this Draft Red Herring Prospectus (DRHP) at a meeting held on July 7, 2007.

We have also obtained all necessary contractual approvals required for the Issue. For further information, please see section titled “Government and Other Approvals” beginning on page [•] of this Draft Red Herring Prospectus.

Prohibition by SEBI

Our Company, our Promoters, our Directors, Directors or the person(s) in control of the Promoters, our Promoter Group, our Company’s subsidiaries and affiliates and companies with which the Directors are associated as directors, have not been prohibited from accessing or operating in capital markets or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

Further, our Promoters and Promoter Group entities have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them except as disclosed in the “Risk Factors” appearing on page [•] of this Draft Red Herring Prospectus.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as confirmed by our Auditors:

- Our Company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets;
- Our Company has had a track record of distributable profits in terms of section 205 of the Companies Act for at least three (3) out of the immediately preceding five (5) years:
- Our Company has had a pre-issue net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);
- Our Company has not changed its name within the last one year; and
- The proposed Issue size would not exceed five times the pre-issue net worth as per the audited accounts for the year ended April 30, 2006.

The distributable profits as per section 205 of the Companies Act; net tangible assets and the net worth for the last five years as per the Company’s audited restated financial statements are as under:

Particulars	Year/ Period Ended on				
	30-April-2006	31-March-2005	31-March-2004	31-March-2003	31-March-2002
Net worth ⁽¹⁾	3,482.57	2,067.72	1,914.33	1,877.10	1,435.72
Distributable Profits ⁽²⁾	337.16	39.45	29.49	5.35	5.67
Net Tangible Assets ⁽³⁾	614.02	584.94	297.53	217.84	240.60
% of Monetary Assets ⁽⁴⁾ on terms of Net Tangible Assets	15.71	0.43	0.80	2.00	3.64

⁽¹⁾ Net worth has been defined as the aggregate of Equity Shares Capital and Reserves and Surplus, excluding miscellaneous expenditures, if any.

⁽²⁾ Distributable profits have been defined in terms of section 205 of the Companies Act.

⁽³⁾ Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by the Institute of Chartered Accountants of India.

⁽⁴⁾ Monetary assets comprise cash and bank balances

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF 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, RELIGARE SECURITIES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 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, RELIGARE SECURITIES LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JULY 9, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- (I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS, IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
 - A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPER RELEVANT TO THE ISSUE;**
 - B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID PUBLIC ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;****
- (III) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID;**
- (IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS;**
- (V) WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**



All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Chennai, Tamil Nadu in terms of section 60B of the Companies Act. All legal requirements pertaining to the issue will be complied with at the time of registration of the prospectus with the Registrar of Companies, Chennai, Tamil Nadu in terms of section 56, section 60 and section 60B of the Companies Act.

The filing of the Draft Red Herring Prospectus does not, however, absolve the Company from any liabilities under section 63 and section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Manager, any irregularities or lapses in the Draft Red Herring Prospectus.

Disclaimer statement from the Company and the BRLM:

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the 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 Equity Shares of the Company and will not issue, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. 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 of the Company.

The Company, the 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.midvalleygroup.com, would be doing so at his or her own risk.

Caution:

The BRLM accept no responsibility, save to the limited extent as provided in terms of the Memorandum of Understanding entered into amongst the BRLM and the Company dated [●] and the Underwriting Agreement to be entered into among the Underwriters and the Company.

All information shall be made available by the 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 or at bidding centers, etc.

The Issuer and BRLM are obliged to update the Draft Red Herring Prospectus and keep the public informed of any material changes till the listing and trading commencement.

Neither the Company, nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer In Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India) and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or Trusts under the applicable trust law and who are authorized under their constitution to hold and invest in shares, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, Foreign Venture Capital funds registered with SEBI, State Industrial Development Corporation, Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million, and to permitted Non-Residents including NRIs, FIIs and eligible foreign investors. This Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares Issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue 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 Chennai only.

No action has been or will be taken to permit a public Issue in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Investors may please note that Central Government/ RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Draft Red Herring Prospectus.

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

Disclaimer Clause of BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to the BSE. The disclaimer clause as intimated by BSE to our company, post scrutiny of this Draft Red Herring Prospectus shall be included in the Red Herring Prospectus prior to the RoC filing.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to the National Stock Exchange of India Limited (“NSE”). The disclaimer clause as intimated by NSE to our company, post scrutiny of this Draft Red Herring Prospectus shall be included in the Red Herring Prospectus prior to the RoC filing.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Primary Markets Division, SEBI Bhavan, Plot No. C4-A, ‘G’ Block, Bandra Kurla Complex, Mumbai – 400051.

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 Registrar of Companies Tamil Nadu I at Block No. 6, ‘B’ Wing, 2nd Floor, Shastri Bhawan, 26, Haddows Road, Chennai - 600 034 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.

Listing

Applications have been made to the BSE and the NSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The BSE shall be the Designated Stock Exchange with which the basis of allocation 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 any of the Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after the Company become liable to repay it (i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier), then the Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who:

- a. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- b. otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years.”

Consents

Consents in writing of: (a) Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Company and the Bankers to the Issue; (b) the Book Running Lead Manager, Syndicate Members, the Escrow Collection Bankers and (c) Monitoring Agency and Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Tamil Nadu I at Chennai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.



ICRA Limited has been engaged by us for the purpose of obtaining IPO grading in respect of this Issue, will give its written consent to the inclusion of their 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 to the RoC.

In accordance with the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, M/s Venkatesh & Co., Chartered Accountant, Auditors of the Company has given its written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for filing with SEBI.

M/s Venkatesh & Co., Chartered Accountant, has given its written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for filing with SEBI.

Expert Opinion

Except for the report provided by ICRA Limited furnishing the rationale for its grading which will be updated at the time of filing of the Red Herring Prospectus with the RoC, pursuant to Clauses 2.5A, 5.6B and 6.17.3A of the SEBI Guidelines, our Company has not obtained any expert opinions. A copy of such report will be annexed to the Red Herring Prospectus.

Expenses of the Issue

(in Rs. Lacs)

Activity	Estimated Amount (Rs. in Lacs)	% of Total Expenses	% of Total Issue Size*
Lead Management Fees, underwriting and selling commission	[•]	[•]	[•]
Advertisement and Marketing expenses	[•]	[•]	[•]
Printing and Stationery	[•]	[•]	[•]
Registrar to the Issue	[•]	[•]	[•]
Others (legal fee, listing fee, etc)	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

*will be incorporated after finalization of the Issue Price

Fees Payable to the Book Running Lead Manager and Syndicate Members

The total fees payable to the Book Running Lead Manager and the Syndicate Members (including underwriting commission and selling commission and reimbursement of their out of pocket Expenses) will be as stated in the various engagement letters, copies of which are available for inspection at the Registered Office of the Company located at 9th Floor, Gee Gee Emerald, 312, Valluvar Kottam High Road, Nungambakkam, Chennai – 600 034, Tamil Nadu, India.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/ refund order (or revised CANs, if required), preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at the Registered Office of the Company. The Company shall bear such expenses.

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 it to send refund orders or allotment advice by Registered post/ Speed Post/ Under Certificate of Posting.

Particulars regarding Public or Rights Issue during the Last 5 Years

The Company has not made any public Issue of Equity Shares or a Rights Issue either in India or abroad prior to the date of this Draft Red Herring Prospectus.

Issue otherwise than for Cash

Except as stated in the section titled “Capital Structure” beginning on page [•] of this Draft Red Herring Prospectus the company has not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage on Previous Issues

Since this is the Initial Public Issue of the Company's Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Companies under the Same Management

There are no listed companies in India which are under the same management, within the meaning of erstwhile Section 370(1B) of the Companies Act, other than the subsidiaries and group companies, details of which are provided in the section titled "Our Promoters and Group Companies" beginning on page [•] of this Draft Red Herring Prospectus.

Promise vis-à-vis Performance

There has been no public issue, by any of the Group/ Associate Companies in the past except as provided in the section titled 'Our Promoters and Group Companies' beginning on page [•] of this Draft Red Herring Prospectus.

Outstanding Debentures or Bond

The Company does not have any outstanding debentures or bonds.

Outstanding Preference Shares

The Company does not have any outstanding preference shares.

Stock Market Data for the Company's Equity Shares

This being an initial public offering of our Company, the Equity Shares of the Company are not listed on any stock exchange.

Other Disclosures

Our Promoter Group, or the Directors of the Promoter company or the Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI except as stated in the section titled "Capital Structure" beginning on page [•] of this Draft Red Herring Prospectus

Mechanism for Redressal of Investor Grievances by the Company

The Memorandum of Understanding between the Registrar to the Issue and the Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders or where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances

The company estimates that the average time required by it or the Registrar to the Issue for the redressal of routine investor grievances will be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The company has appointed Mr. S Narayanswamy as the Compliance Officer and he may be contacted in case of any pre-Issue or post- Issue related problems. He can be contacted at the following address:

MidValley Entertainment Limited

9th Floor, Gee Gee Emerald
312, Valluvar Kottam High Road
Nugambakkam, Chennai - 600 034
Tamil Nadu, India
Tel.: +91-44-4238 0055, 4238 0073
Fax: +91-44-4238 0065
Email: nswamy@midvalleygroup.com

Changes in Auditors

There has been no change in the Auditors of the Company for the last three years.

Capitalization of Reserves or Profits

Except as disclosed in this Draft Red Herring Prospectus, the Company has not capitalized its reserves or profits at any time during the last five years.



Revaluation of Assets

The Company has not revalued its assets in the last five years.

Payment or benefit to officers of the Company

Except as stated otherwise in this Draft Red Herring Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees since the incorporation of the Company.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company, however the loans and advances as on January 31, 2007 include Rs.59.28 lacs due from Dr. Murali Manohar an Ex-director and original promoter of the company.

SECTION VIII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Issue. In addition the Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies, FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The issue has been authorized by a resolution of our Board dated July 3, 2006 and by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, at an Extra – Ordinary/ Annual General Meeting of the shareholders of our company held on August 9, 2006.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the other existing shares of our Company including rights in respect of dividends. See the section titled “Main Provisions of the Articles of Association” beginning on page [●] of this Draft Red Herring Prospectus. The allottees under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of allotment.

Mode of payment of dividend

We shall pay dividend, as and when declared, to our shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Draft Red Herring Prospectus at a total price of Rs. [●] per Equity share. At any given point of time, there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

We shall comply with all disclosures and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association the equity shareholders shall have the following rights:

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

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/ splitting, refer to the section on “Main Provisions of the Articles of Association” on page [●] in this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form. Since trading of our Equity shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other Joint Bidders, may nominate any one person to whom, in the event of the death of sole bidder or in case of Joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be



entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our company or at the Registrar and Transfer Agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

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

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective DP of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters, if any, within 60 days from the date of closure of the issue, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), our company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

Further, in accordance with clause 2.2.2A of SEBI (DIP) Guidelines, 2000, we shall ensure that the number of allottee, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000.

Arrangement for Disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on Transfer of Shares

There are no restrictions on transfers and transmissions of share and on their consolidation/ splitting except as provided in our Articles of Association. For details see the section titled “Main Provisions of the Articles of Association” beginning on page [•] of this Draft Red Herring Prospectus.

Application by Eligible NRIs / FIIs registered with SEBI and FVCIs registered with SEBI

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs registered with SEBI or FVCIs registered with SEBI. Such Eligible NRIs, FII registered with SEBI or FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation. As per RBI regulations, OCBs cannot participate in the Issue.

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

Jurisdiction

Exclusive jurisdiction for purposes of this Issue is with the competent courts/ authorities in Chennai, in the state of Tamil Nadu.

ISSUE STRUCTURE

The present issue of 90,00,000 Equity Shares of Rs. 10 each at a price of Rs. [●] for Cash aggregating to Rs. [●] Lacs is being made through Book Building Process. The issue will constitute 25.97 % the post issue equity share capital of our Company.

Particulars	Employees	QIBs	Non Institutional Bidders	Retail Individual Investors
Number of Equity Shares available for allocation*	3,00,000 Equity Shares	Upto 43,50,000 Equity Shares or Net Issue less allocation to Non – Institutional Bidders and Retail Individual Investors	Minimum of 13,05,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Investors	Minimum of 30,45,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non – Institutional Bidders
Percentage of Issue Size available for allotment/ allocation	Up to 3.33%	Upto 50% of the Net Issue. However, upto 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Minimum of 15% of the Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Investors	Minimum of 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non – Institutional Bidders
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate	Proportionate as follows : (a) 2,17,500 Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; and (b) 41,32,500 Equity shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000	[●] Equity Shares
Maximum Bid	Upto 3,00,000 Equity Shares	Such Number of Equity shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such Number of Equity shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such Number of Equity shares in multiples of [●] Equity Shares so that the Bid amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Allotment Lot	[●] Equity Shares in multiple of 1 Equity Share thereafter	[●] Equity Shares in multiple of 1 Equity Share thereafter	[●] Equity Shares in multiple of 1 Equity Share thereafter	[●] Equity Shares in multiple of 1 Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share



Particulars	Employees	QIBs	Non Institutional Bidders	Retail Individual Investors
Who can apply**	(a) Employees of the Company as on the date of the Draft Red Herring Prospectus and based and present in India as on the date of submission of Bid cum Application Form. (b) Director of the Company, except any Promoters or members of the Promoter Group, whether a Whole time Director, Part time Director or otherwise, as on the date of the Draft Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form	Public Financial Institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs. 250 million in accordance with the applicable laws.	Resident Indian Individuals, Eligible NRIs and HUF (in the name of Karta), companies, corporate bodies, scientific institutions, societies and trusts.	Resident Indian Individuals, including HUF (in the name of Karta) and Eligible NRIs applying for Equity Shares such that the Bid amount does not exceed Rs. 1,00,000 in value
Terms of Payment	Margin amount applicable to Employees shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin amount applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin amount applicable to Non Institutional Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Amount	100 % of Bid Amount	Atleast 10% of Bid Amount	100 % of Bid Amount	100 % of Bid Amount

* The Issue is being made through the 100% book building process wherein upto 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Atleast 15% of the Issue shall be available for allocation on a proportionate basis to Non – Institutional Bidders and atleast 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under – subscription, if any, in any category, would be met with spill over from other categories at the sole discretion of our Company in consultation with the Book Running Lead Manager. See “Issue Procedure” on page [•] of this Draft Red Herring Prospectus.

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

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid / Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE / NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid cum Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Offer Price for all the Equity Shares allocated to such QIB. A revised CAN, if issued, will supersede in entirety the earlier CAN.

Withdrawal of the Issue

Our Company in consultation with the Book Running Lead Manager, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Closing Date but before Allotment, without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bids after the Bid / Issue Closing Date.

Letters of Allotment or Refund Orders

We shall give credit of Equity Shares allotted, if any, to the beneficiary account with depository participants within two working days from the date of the finalization of basis of allocation. Applicants residing at 15 centers where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the Sole or First Bidder's (if there are Joint Bidder's) sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of the Issue.

Interest in Case of Delay in Dispatch of Allotment Letters/Refund orders.

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

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/ Issue Closing Date;
- Dispatch of refund orders shall be done within 15 (fifteen) working days from the Bid /Issue Closing Date; and
- We shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Bid/Issue Programme

BID/ISSUE OPENS ON	[•]
BID/ISSUE CLOSES ON	[•]

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding/ Issue period as mentioned above at the Bidding centers mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, Bids or revisions of Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on Bid/Issue Closing Date.



Our Company reserves the right to revise the Price Band during the Bidding/ Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor price and is advertised at least one day prior to the Bid/Issue Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of price band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating a change on the web sites of the Book Running Lead Manager and at the terminals of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process, wherein upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB portion shall be available for allocation on a proportionate basis to Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, and not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-institutional Bidders, subject to valid Bids being received at or above the Issue Price.

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

Bidders are required to submit their Bids through the Syndicate. However, QIB Bids can be submitted only through the BRLM or member of the Syndicate duly appointed by them in this regard. In case of QIB Bidders, our Company in consultation with the BRLM, reserves the right to reject any Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note (“CAN”), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized 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 Bidder.

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

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, FIIs or Foreign Venture Capital funds, Registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis.	Blue
Bidders in the Employee Reservation Portion	Pink

Who can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are majors, in single or joint names (not more than three);
3. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
4. Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not permitted to participate in the Issue;
5. Companies, Corporate bodies and Societies registered under the applicable laws in India and authorized to invest in Equity Shares;
6. Indian Mutual Funds registered with SEBI;
7. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and regulations, as applicable);
8. FIIs registered with SEBI, on a repatriation basis;
9. Venture Capital Funds registered with SEBI;
10. Foreign Venture Capital investors registered with SEBI;
11. State Industrial Development Corporations;
12. Multilateral and bilateral development financial institutions;



13. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
14. Provident funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to hold and invest in Equity Shares;
15. Pension funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to hold and invest in Equity Shares;
16. Trust/ societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ societies and who are authorized under their constitution to hold and invest in Equity Shares;
17. Scientific and/ or Industrial Research Organizations in India authorized to invest in Equity Shares.
18. Any other QIBs permitted to invest, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals in the issue.
19. Employees and Directors of the Company and its subsidiaries who are Indian nationals based in India and are present in India at the time of submission of Bid-cum- Application Form excluding Promoter directors

As per the existing Regulations, OCBs are prohibited from Investing in this Issue.

Participation by Associates of the BRLM and Syndicate Members

The BRLM and the Syndicate Members shall not be entitled to participate in this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLM and Syndicate Member are entitled to bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in the Non-institutional Portion as may be applicable, where the allocation will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

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

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 2,18,750 Equity Shares, allocation shall be made to Mutual funds on a proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodians of Mutual Funds shall be specifically state the names of the concerned schemes for which the Bids are made. 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 for which the Bid has been made.

In accordance with current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of the net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid up capital carrying voting rights.

Bids by Eligible NRIs

Bid cum Application Forms have been made available for Eligible NRIs at the Registered Office of the Company and with members of the Syndicate.

NRI applicants should note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the Eligible NRI Category. The Eligible NRIs who intend to make payment through the Non – Resident Ordinary (NRO) account shall use the application form meant for Resident Indians (white form).

Bids by FIIs

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

No single FII can hold more than 10% of the Company's post-Issue paid-up capital (i.e., 10% of 3,46,53,140 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our Company's total issued capital or 5% of our Company's total issued capital in case such sub account is a foreign corporate or an individual.

As of now, the aggregate FII holding in the Company cannot exceed 24% of the Company's total issued capital. With approval of our Board and that of the shareholders of the Company by way of a special resolution, the aggregate FII

holding limit can be enhanced up to 100%. However, as of the date of this Draft Red Herring Prospectus, no such resolution has been recommended to our shareholders for approval.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub – account 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 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.

Bids by the SEBI – registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI. Accordingly, the holding by any Venture Capital Fund should not exceed 25% of the corpus of the Venture Capital Fund/ Foreign Venture Capital Investor.

As per the current regulations, any venture capital fund or foreign venture capital investors shall not invest more than 33.33% of their investible funds by way of subscription to initial public offer of a venture capital undertaking, whose shares are proposed to be listed or in a preferential allotment of equity shares of a listed company subject to a lock-in period of one year.

The SEBI has issued a press release on 26th June, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock – in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft prospectus with SEBI.

Bids by Eligible Employees

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bidders under the Employee Reservation Portion can apply for a maximum of 3,00,000 Equity Shares. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, all employees bidding for upto [●] Equity Shares will receive full allotment subject to a minimum allotment of [●] Equity Shares and those bidding for more than [●] Equity Shares will receive allotment on a proportionate basis subject to a minimum allotment of [●] Equity Shares. Bids under the Employee Reservation Portion not exceeding Rs. 1,00,000 may be at cut-off price.

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of our Company who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid-cum-Application Form.

Bids under Employee Reservation Portion by Eligible Employees

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed Rs. [●].
- Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/ first Bidder should be Eligible Employee as defined above.
- Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-off Price.
- The maximum bid under Employee Reservation Portion by any Eligible Employee cannot exceed 3,00,000 Equity Shares.
- Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 3,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.



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- Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of our Company and the Book Running Lead Manager. In case of under – subscription in the Net Issue, spill over to the extent of under – subscription shall be permitted from the Employee Reservation Portion.
 - If the aggregate demand in this category is greater than 3,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, please see section titled “Basis of Allocation” on page [●] of this Draft Red Herring Prospectus.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. The Company and the BRLM does not accept any responsibility for the completeness and accuracy of the information stated hereinabove. The Company and the BRLM are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size:

a) For Retail Individual Bidders: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, subject to maximum Bid amount of Rs.1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 1,00,000. In case the maximum Bid amount is more than Rs.1,00,000/- due to revision of the Bid or revision of the Price Band or on exercise of the Cut-Off option, then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase the equity shares at the final Issue Price as determined at the end of the Book Building Process.

b) Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter . A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.**

In case of revision of bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision in the price band, the same would be considered for allocation under the Retail portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at ‘cut-off’.

c) Eligible Employees: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bids in the Employee Reservation Portion not exceeding Rs. 100,000 may be at Cut-off Price. The maximum Bid in this category by an Eligible Employee cannot exceed 3,00,000 Equity Shares. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, the maximum allotment to any Employee shall not exceed 3,00,000 Equity Shares.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus. Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under “Payment of Refund” beginning on page [●] of this Draft Red Herring Prospectus.

Information for the Bidders

- a) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b) Our Company and the Book Running Lead Manager shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.
- c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

- d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum application Form can obtain the same from the Registered Office of our Company or from any of the members of the Syndicate.
- e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.
- f) Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Syndicate Members or their authorized agent(s) to register their Bids.
- g) The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.

Method and Process of Bidding

- a) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days. In case the Price Band is revised, the revised Price Band and Bidding/ Issue Period will be widely disseminated by notification to the BSE and the NSE, and by publishing in two national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the Book Runners and at the terminals of the members of the Syndicate.
- b) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the section titled “Issue Procedure - Bids at Different Price Levels” beginning on page [•] of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/ allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- c) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled “Issue Procedure - Build up of the Book and Revision of Bids” beginning on page [•] of this Draft Red Herring Prospectus.
- d) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- e) During the Bidding Period, Bidders may approach members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/ investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus
- f) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled “Issue Procedure - Terms of Payment” beginning on page [•] of this Draft Red Herring Prospectus.

Bids at Different Price Levels

- a. The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share, Rs. [•] being the lower end of the Price Band and Rs. [•] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (Rupee One).
- b. In accordance with the SEBI Guidelines, our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
- c. We, in consultation with the BRLMs, can finalise the Issue Price within the Price band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.



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- d. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non Institutional Bidders and Employees bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000 and such Bids from QIB Bidders, Non Institutional Bidders and Employees shall be rejected.
 - e. Retail Individual Bidders who bid at the Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-off Price shall deposit the Bid Amount based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), such Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.
 - f. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion at Cut-off Price, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 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 Rs. 100,000, the Bid by a Retail Individual Bidder will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Higher end of the price band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
 - g. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.
 - h. The minimum application size shall be [●] Equity Shares and in the range of Rs. 5,000 to Rs. 7,000. In the case of revision in the Price Band, whether upwards or downwards, then, if any, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
 - i. During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding / Issue Period using the printed Revision Form, which is a part of the Bid cum Application Form.

Option to Subscribe

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchange(s).

Escrow Mechanism

We shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write 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 would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments or refund to the Bidder shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

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

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall pay the applicable Margin Amount at the time of submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account as per the below terms:

- a) The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 (fifteen) days from the Bid/ Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.
- b) Each category of Bidders, i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form by way of a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page [●] of this Draft Red Herring Prospectus. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.
- c) Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two (2) days from the date of communication of the allocation list to the members of the Syndicate by the Book Runner. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.
- d) Where the Bidder has been allocated/ allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for Allocation/ Allotment, will be refunded to such Bidder within 15 days from the Bid/ Issue Closing Date, failing which our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic registration of Bids

- a) The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid /Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- c) The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centers and at the websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.
- d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the Bidder(s)
 - Investor category – individual, corporate, or Mutual Fund etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid cum Application Form number
 - Whether Margin Amount, as applicable, has been paid upon submission of Bid cum Application Form
 - Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.



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- e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/ allotted either by the members of the Syndicate or our Company.
- f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g) In case of QIB Bidders, members of the syndicate have the right to accept the bid or reject it. A rejection can be made only at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-institutional Bidders and Retail Individual Bidders who Bid, Bids should not be rejected except on technical grounds as listed on page [●] of this Draft Red Herring prospectus.
- h) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of 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.
- i) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.
- j) Only Bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Build up of the book and revision of Bids

- a) Bids registered through the members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.
- b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed Revision Form, which is a part of the Bid cum Application Form.
- d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**
- f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

- h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

- a) After the Bid /Issue Closing Date, the BRLM will analyse the demand generated at various price levels.
- b) Our Company in consultation with the BRLM, shall finalise the “Issue Price”.
- c) Any under-subscription in the Employee Reservation Portion would be included in the Net Issue. Under-subscription, if any, in any category of the Net Issue, would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 2,17,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.
- d) The allocation to QIBs will be upto 50% of the Issue and allocation to Non – Institutional and Retail Individual Bidders will be atleast 15% and 35% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and this Draft Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price
- e) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- f) Allotment to Eligible NRIs, FIIs registered with the SEBI or Mutual Funds or FVCIs registered with SEBI will be subject to applicable laws, rules, regulations, guidelines and approvals.
- g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
- h) In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Issuance of CAN

- a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/ allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non – Institutional Bidders. However, Investors should note that our Company shall ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue;
- b) The BRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance amount payable into the Escrow Account by the Pay-in Date specified in the CAN;
- c) Bidders who have been allocated/ allotted Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.
- d) The issuance of CAN is subject to “Allotment Reconciliation and Revised CANs” as set forth below.

Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid uploaded on the BSE/ NSE system. Based on the electronic book, QIBs will be sent a CAN on or prior to [●], 2007, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc. and these rejected applications will be reflected in the reconciliation and



basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, on or prior to [●], 2007, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay – in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Signing of Underwriting Agreement and RoC Filing

- a) Our Company, the BRLM and the Syndicate Members will enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s)/ allotment to the Bidders.
- b) After signing the Underwriting Agreement, we will update and file the updated Red Herring Prospectus with RoC, which then will be termed 'Prospectus'. The Prospectus will have details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60, and Section 60B of the Companies Act.

Announcement of Pre – Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Prospectus from SEBI, publish an Advertisement, in the form prescribed by SEBI DIP Guidelines in a widely English national newspaper, a Hindi national newspaper and a regional newspaper with wide circulation in the place where our Registered Office is situated.

Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the ROC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper with wide circulation in the place where our Registered Office is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Designated Date and Allotment of Equity Shares

- a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account and the Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account of the allotted Equity Shares to the allottees within two working days from the date of approval of the basis of Allotment.
- b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

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

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the Bid cum Application Form (white in colour) or Non – Resident Bid cum Application Form (blue in colour) or Employee Bid cum Application Form (pink in colour) as the case may be;
- c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- g) Where Bid(s) is/are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN card or PAN allotment letter should be submitted with the Bid cum Application Form. If you have mentioned “Applied For” or “Not Applicable”, in the Bid cum Application Form

in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

- h) 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. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form;
- i) Ensure that the Demographic Details are updated, true and correct, in all respects.
- j) QIB bidders should submit their bids only to the BRLM or Member of the Syndicate.

Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid to a price that is less than the lower end of the Price Band or higher than the higher end of the Price Band;
- c) Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;
- d) Do not pay the Bid Amount in cash, by Money Order or by Postal Order or by Stock Invest;
- e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- f) Do not Bid at Cut-off price if you are a Non-Institutional Bidder or a QIB bidder;
- g) Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of equity shares that can be held by a Bidder under applicable law or regulations or maximum amount permissible under the applicable regulations or under the terms of this Draft Red Herring Prospectus;
- h) Do not bid at Bid Amount exceeding Rs. 100,000 (for Retail Individual Bidders);
- i) Do not submit the Bid without the QIB Margin Amount, in the case of a Bid by a QIB;
- j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this Ground.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable ([white] colour for Resident Indians and Eligible NRIs applying on a non repatriation basis; [blue] colour for Eligible NRIs, FIIs applying on a repatriation basis and [pink] colour for eligible employees applying in the Employee Reservation Portion).
- b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- d) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of Rs.100,000.
- e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of [●] Equity Shares. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- f) For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares and in multiple of [●] Equity Shares thereafter subject to a maximum Bid Amount that does not exceed Rs. [●].
- g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

This is not an issue for sale within the United States of any equity shares or any other security of our Company. Securities of our Company, including any offering of equity shares, may not be offered or sold in United States in the absence of registration under U.S. securities laws or unless exempt from registration from such laws.

Bidder's Bank Account Details

Bidders should note that on the basis of names of the Bidders, Depository Participant's name, Depository Participant Identification Number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank Account details including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through ECS, hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch or refund orders or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidder's sole risk and neither the BRLM nor the Company, Registrar, Escrow Collection Bank(s) shall have any responsibility and undertake any liability for the same.



Bidder's Depository Account Details and Bank Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/ Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/ Allocation Advice/ CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ allocation advice/ CANs may get delayed if the same, once sent to the address obtained from the Depositories, are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case, no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

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

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI on a repatriation basis
Bids and revision to Bids must be made in the following manner:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein;
2. In a single name or joint names (not more than three);
3. NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non – Institutional Portion for the purposes of allocation;
4. By other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter that the Bid Price exceeds Rs. 100,000. For further details, please refer to the Section titled 'Issue Structure' on page [●] of this Draft Red Herring Prospectus.
5. In the names of individuals, or in the names of FIIs but not in the names of the minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be

furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRIs, FIIs and Foreign Venture Capital Funds will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/ or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject such Bids in whole or in part, in either case, without assigning any reasons therefore.

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

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

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

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

Payment Instructions

Our company shall open Escrow Account with the Escrow Collection Bank(s) for collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/ allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/ or on allocation/ allotment as per the following terms:

Payment into Escrow Account

1. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - In case of Resident QIB Bidders: **“Escrow Account – MEL Public Issue – QIB – R”**
 - In case of non resident QIB Bidders: **“Escrow Account – MEL Public Issue – QIB – NR”**
 - In case of Resident Bidders: **“Escrow Account – MEL Public Issue – R”**
 - In case of Eligible NRI Bidders: **“Escrow Account – MEL Public Issue – NR”**
 - In case of Eligible Employee Bidders: **“Escrow Account – MEL Public Issue – Employee”**
4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal



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

5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.
6. Where a Bidder has been allocated/ allotted a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
9. On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/ allotment to the Bidders.
10. 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 banker's clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this issue.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

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

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In 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 communication 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.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN/ GIR numbers. In cases where the PAN/ GIR numbers are different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the

addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.

5. The applications will be scanned for similar DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedure, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

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 for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

Our Company reserves the right to reject, in our absolute discretion, all or any multiple bids in any or all categories.

Permanent Account Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card(s) or PAN allotment letter(s) is required to be submitted with the Bid cum Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In case the sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving licence (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.

Unique Identification Number ("UIN") – MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars by its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bidders in the Employee Reservation Portion, we have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDINGS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected, among other things, on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;



4. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
5. PAN not stated if Bid is for Rs. 50,000 or more or copy of PAN, PAN Communication, Form 60 or Form 61, as applicable, or GIR number furnished instead of PAN. See the section titled “Issue Procedure— Permanent Account Number” beginning on page [●] of this Draft Red Herring Prospectus;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders and by bidders in the Employee Reservation Portion in excess of Rs. 1,00,000/-
10. Bids for number of Equity Shares, which are not in multiples of [●];
11. Category not ticked;
12. Multiple Bids as defined in this Draft Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by stockinvest/money order/postal order/cash;
15. Signature of sole and/or joint Bidders missing;
16. Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Member;
17. Bid cum Application Form does not have the Bidder’s depository account details;
18. Bid cum Application Form is not delivered by the Bidder 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 Form;
19. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant’s identity (DP ID) and the beneficiary account number;
20. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled “Issue Procedure – Bids at Different Price Levels” beginning on page [●] of this Draft Red Herring Prospectus;
21. Bids by OCBs;
22. Bids by U.S. persons other than “Qualified Institutional Buyers” as defined in Rule 144A of the Securities Act or other than in Regulation S under the Securities Act; and
23. Bids by QIBs not submitted through members of the BRLM.
24. Bids by Employees or Directors of the Company and/or its subsidiaries as the case may be, not eligible to apply in the Employee Reservation Portion.
25. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a. an agreement dated June 12, 2007 between NSDL, the Company and Registrar to the Issue;
- b. an agreement dated September 9, 2006 between CDSL, the Company and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant’s Identification Number) appearing in the Bid cum Application Form or Revision Form.
- c. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
- e. If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- f. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

- g. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- h. The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid 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.

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

DISPOSAL OF APPLICATIONS AND APPLICATION MONIES

We shall ensure dispatch of Allotment advice, refunds and give credit of Equity Share allotted to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 15 working days of the Bid/ Issue Closing Date. Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS), except where the applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS.

In case of other applicants, the Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the ECS facility.

Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

We shall ensure dispatch of refund orders, if any, by “Under Certificate of Posting” or registered post or speed post or ECS, as applicable, only at the sole or First Bidder’s sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the finalization of the basis of allotment to the Stock Exchanges within 2 (two) working of the finalization of the basis of allotment.

We shall use best efforts to ensure that all steps 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, are taken within 7 (seven) working days of the finalisation of the basis of allotment.

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

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/ Issue Closing Date;
- Dispatch of refund orders, except for Bidders who have opted to receive refunds through the ECS facility, within 15 (fifteen) working days of the Bid /Issue Closing Date would be ensured; and
- We shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility, NEFT, direct credit or RTGS. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.



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 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. S. Narayanswamy, CFO & Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. S Narayanswamy

CFO, Company Secretary and Compliance Officer

MidValley Entertainment Limited

9th Floor, Gee Gee Emerald,
312, Valluvar Kottam High Road,
Nungambakkam, Chennai – 600034,
Tamil Nadu, India

Tel: +91 44 4238 0055/0073

Fax: +91 44 4238 0065

E-mail: nswamy@midvalleygroup.com

Website: www.midvalleygroup.com

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- a. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- b. otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

Shall be punishable with imprisonment for a term which may extend to five years.”

Basis of Allotment

A For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this category are for more than 30,45,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allotment, refer below.

B For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to 13,05,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- In case the valid Bids in this category are for more than 13,05,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Share. For the method of proportionate basis of allotment refer below.

C For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Portion and Retail Portion shall be available for proportionate allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

- a. In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
 - i. In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - ii. In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
 - iii. Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
- b. In the second instance allotment to all QIBs shall be determined as follows:
 - i. The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Fund as calculated in (a) above.
 - ii. The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
 - iii. Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.
 - iv. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

The aggregate allotment to QIB Bidders shall be upto 43,50,000 Equity Shares except for any Equity Shares allocated to QIB Bidders due to Under-subscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis of at least [●] Equity Shares.

D For Employee Reservation Portion

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 3,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 3,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allocation, refer below.

Only Employees (as defined in this Draft Red Herring Prospectus) are eligible to apply under Employee Reservation Portion.

PAYMENT OF REFUND

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.
3. Direct Credit – Applicants having bank accounts with the Refund Banker(s), in this case being [•] shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Banker(s) for the same would be borne by our Company.
4. RTGS – Applicants having a bank account at any of the abovementioned fifteen centers and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Banker(s) for the same would be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.



NOTE: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Method of Proportionate basis of allocation in the Issue

In the event the Issue being over-subscribed, the basis of allotment shall be finalized by our Company 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 shall be responsible for ensuring that basis of allotment is finalized in a fair and proper manner. The allotment shall be in marketable lots, on a proportionate basis as explained below.

- a. Bidders will be categorized according to the number of Equity Shares applied for.
- b. The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c. Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to a minimum allotment of [●] Equity Shares. The minimum allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.
- d. In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to the nearest integer.
- e. In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

The example given below is for illustrative purposes only:

A Issue details

Sr. No.	Particulars	Issue Details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (upto 50% of the Issue)	100 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

B Details of QIB Bids

Sr. 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
	Total	500

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C Details of Allotment to QIB Bidders / Applicants

Type of QIB Bidders	Shares Bid For	Allocation of 5 Million Equity Shares to MF proportionately (please see note 2 below)	Allocation of 95 Million Equity Shares to QIBs proportionately (Please see note 4 below)	Aggregate allocation of MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	5	95	42.41

Please note:

- The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page [•] of this Draft Red Herring Prospectus.
- Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million shares in the QIB Portion.
- The balance 95 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 million Equity Shares (including 5 Mutual Fund applicants who applied for 200 million Equity Shares).
- The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 95 /495
 - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495
 - The numerator and denominator for arriving at allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Undertaking by our Company

We undertake the following:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at BSE and NSE, where the equity shares are to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for dispatch of refund orders/ allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where the refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund,



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- e. that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and
 - f. that no further Issue of equity shares shall be made until the equity shares offered through this Draft Red Herring Prospectus are listed or until the Bid moneys are refunded on account of non-listing, under-subscription, etc.

Utilization of Issue Proceeds

The Board of Directors of our Company certifies that:

- a. all monies received out of the Issue shall be credited/ transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- b. details of all monies utilised out of Issue referred to above shall be disclosed under an appropriate separate head in our Balance Sheet indicating the purpose for which such monies have been utilised; and
- c. details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in our Balance Sheet indicating the form in which such unutilised monies have been invested.
- d. Details of utilization of monies received under the Reservation Portion shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilized.
- e. Our Company shall not have any recourse to the Issue proceeds until approval for the trading of equity shares from all the stock exchanges where listing is sought is received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of Government of India notified through press notes and press releases issued from time to time and FEMA and its Regulations. 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 precise manner in which such investment may be made. Under the Industrial Policy, 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. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India (“FIPB”) and the Reserve Bank of India (“RBI”). As per the current foreign investment policies, foreign direct investment in Entertainment sector is allowed up to 100% under the automatic route.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents.

Subscription by NRIs / FIIs

Under the FEMA, FIIs and NRIs are permitted to subscribe for shares of an Indian Company making a public offer without prior RBI approval. It is to be distinctly understood that there is no reservation for Non-residents, NRIs and FIIs and all Non- Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

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

The transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

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

No single FII can hold more than 10% of the post- issue paid up capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the company where such sub-account is a foreign corporate or an individual.

As of now, the aggregate FII holding in the Company cannot exceed 24% of the Company’s total issued capital. With approval of our Board and that of the shareholders of the Company by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%. However, as of the date of this Draft Red Herring Prospectus, no such resolution has been recommended to our shareholders for approval.

Subject to compliance with all applicable Indian Laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, an FII or its sub account 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 favor 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 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.

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with the SEBI. Accordingly, the holding by any venture capital fund should not exceed 25% of the corpus of such venture capital fund.

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

The above information is given for the benefit of the Bidders. Neither the Company, nor the BRLM are not liable for any amendments or modification or changes in applicable laws and regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their own independent investigations and ensure that the number of Equity Shares bid for does not exceed the applicable limits under relevant laws or regulations.



SECTION IX: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

CAPITAL

3. The Authorised Share Capital of the Company shall be as per paragraph V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and/or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time, in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.

4. Increase of Capital by the Company at how carried into effect

The Company may in General Meeting, from time to time by ordinary resolution, increase its capital by creation of new shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new shares shall be issued upon such terms and conditions with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such shares may be issued with a preferential or qualified right to dividends and in the distribution of asset of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

5. New Capital same as existing capital

Except in so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares, shall be considered as part of the existing capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

6. Redeemable Preference Shares

Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company are liable to be redeemed in accordance with Section 80A of the Act and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

7. Provisions to apply on issue of Redeemable Preference Shares

On the issue of redeemable preference shares under the provisions of Article 6 hereof, the following provisions shall take effect.

- (a) No such shares shall be redeemed except out of profits of the Company which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purposes of the redemption.
- (b) No such shares shall be redeemed unless they are fully paid.
- (c) The premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's Share Premium Account, before the shares are redeemed.
- (d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits, which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "The Capital Redemption Reserve Account" a sum equal to the nominal amount of the shares redeemed and the provisions of the Act, relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.
- (e) Subject to the provisions of Sections 80 and 80A of the Act, the redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.

8. Reduction of Capital

The Company may (Subject to the provisions of Sections 78, 80 and 100 to 105, both inclusive and other applicable provisions, if any of Act) from time to time by special resolution reduce (a) the share capital (b) any capital redemption reserve account or (c) any share premium account in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any Power Company would have, if it were omitted.

9. Consolidation division, sub-division and cancellation of Shares

Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time by an ordinary resolution after the conditions of its Memorandum as follows :

- (a) Consolidate and divide all or any of its share capital in to shares of large amount than its existing shares.
- (b) Sub-divide its shares or any of them into shares of smaller amount than fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on such reduce share shall be the same 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 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. A cancellation of shares in pursuance of this sub-clause shall not be deemed to be reduction of share capital within the meaning of the Act.

Whenever the Company shall do any one or more of the things provided for in the foregoing sub-clauses (a), (b) and (c), the Company shall within thirty days thereafter give notice thereof to the Registrar as required by Section 95 of the Act, specifying, as the case may be, the shares consolidated, divided, sub-divided or cancelled.

10. Modification of rights

Whenever the capital, by reason of the issue of the preference shares or otherwise is dividend into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class and all the provisions hereinafter contained as to general meeting shall mutatis mutandis apply to every meeting. This Article is not to derogate from any power the Company would have if this Article were omitted.

The rights conferred upon the holder of the shares (including preference shares if any) of any class issued with preferred or other rights or privileges shall unless otherwise expressly provided by the terms of the issue of shares of that class, be deemed not to be modified, commuted, affected, abrogated dealt with or varied by the creation of issue of further shares ranking pari passu therewith.

SHARES AND CERTIFICATES

11. Restriction on allotment and return of allotment

The Board of Directors shall observe the restrictions to allotment of shares to the public contained in Sections 69 and 70 of the Act and shall cause to be made the returns as to allotment provided for in Sections 75 of the Act.

12. Further issue of shares

- [1] Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then :
 - (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
 - (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
 - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right, PROVIDED THAT the Directors may declined, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
 - (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board if Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.
- [2] Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
 - (a) If a special resolution to that effect is passed by the company in General Meeting , or
 - (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the 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.

- [3] Nothing in sub-clause (c) of (1) hereof shall be deemed :
- (a) To extend the time within which the offer should be accepted ; or
 - (b) To authorise any person to exercise the right of renunciation for a second time on the ground that person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- [4] Nothing in this Articles shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company :
- (i) To convert such debentures or loans into shares in the Company; or
 - (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the 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 debentures or the raising of the loans.

13. Shares at the Disposal of the Directors

Subject to the provisions of section 81 of the Act and these Articles, the shares (including any shares forming part of any increased capital of the Company) for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose off the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or in (Subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time, as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

14. Application of premium received, on shares

- [1] Where the Company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these shares shall be transferred to an account, to be called "The Share Premium Account" and the provisions of the Act, relating to the reduction of the share capital of the Company shall, except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.
- [2] The shares premium account may, notwithstanding anything in clause(1) hereof be applied by the Company :
- (a) in paying up unissued shares of the Company, to be issued to the members of the Company, as fully paid bonus shares;
 - (b) in writing off the preliminary expenses of the Company;
 - (c) in writing off the expenses of or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
 - (d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.

15. Power also to Company in General Meeting to issue shares

In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, by Special Resolution other than Bonus Share Issue, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to any person (whether a Member or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, as such General Meeting shall determine and with full powers to give any person (whether a Member or not) the option to call for or be allotted shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such considerations as may be directed by such General

Meeting of the Company and General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares.

16. Shares at a discount

The Company may issue at a discount shares in the Company of a class already issued, if the following conditions are fulfilled namely :

- [1] The issue of the shares at a discount is authorised by a resolution passed by the Company in General Meeting and sanctioned by the Company Law Board.
- [2] The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the shares are to be issued; and
- [3] The shares to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extend time as the Company Law Board may allow.

17. Installment of shares to be duly paid

If by the conditions of any allotment of any shares the whole or any part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the shares or his legal representatives and shall for the purposes of these Articles, be deemed to be payable on the date fixed for payment and in the case of non-payment the provisions of these Articles as to payment of interest and expenses of forfeiture and like and all the other relevant provisions of these Articles shall apply as if such installments were a call duly made and notified as hereby provided.

18. The Board may issue shares as fully paid-up

Subject to the provisions of the Act and these Articles, the Board may allot and issue shares in the Capital of the Company as payment of any property sold or transferred or for services rendered to the Company in the conduct of its business or in satisfaction of any shares, which may be so issued shall be deemed to be fully paid-up or partly paid-up shares.

19. Acceptance of shares

Any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these articles and every person who thus or otherwise accepts any shares and whose name is therefore placed on the register shall, for the purpose of this Article, be a member.

20. Deposit and Call to be a debt payable

The money, if any, which the Board of Directors shall on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them shall immediately on the inscription of the name of the allottee in the register of members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.

21. Liability of Members

Every member or his heirs, executors or administrators to the extent of his assets which come to their hands shall be liable to pay of the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall from time to time, in accordance with the Company's requisitions, require or fix for the payment thereof.

22. Limitation of time for Issue of Certificates.

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be issued under the seal of the company and shall be signed in conformity with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or reenactment thereof for the time being in force and shall specify the number and distinctive number of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve. Such certificate shall be issued only in pursuance of a resolution passed by the Board including any committee thereof and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issue against letters of acceptance or of renunciation or in cases of issue of bonus shares PROVIDED THAT if the letter of allotment is lost or destroyed, the Board may impose such reasonable terms, if any, as it thinks fit, as to evidence and indemnity and the payment of out of pocket expenses incurred by the



Company in investigating the evidence. If any member shall require additional certificates he shall pay for each additional certificate (not being in the marketable lot) such sum not exceeding One Rupee as the Directors shall determine.

In respect of a share or shares held jointly by several person, the company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.

22-A. Dematerialization of securities.

Beneficial owner means a persons or persons whose name is recorded as such with a depository.

Depository means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992.

SEBI means Securities and Exchange Board of India.

Security means such security as may be specified by SEBI from time to time.

- (a) Dematerialisation: Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing Securities, rematerialise its Securities held in the Depositories and/or to offer its fresh Securities in a dematerialised form pursuant to the Depositories Act, and the rules framed thereunder, if any.
- (b) Options for Investors: Subject to Section 68B of the Act, every Person subscribing to Securities offered by the Company shall have the option to receive security certificates or to hold the Securities with a Depository. Such a Person who is the Beneficial Owner of the Securities can at any time opt out of a Depository, if permitted by law, in respect of any Securities in a manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the Beneficial Owner the required Certificate of Securities.
If a Person opts to hold his Securities with a Depository, the Company shall intimate such Depository the details of allotment of the Securities and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the Securities.
- (c) Securities in Depositories to be in fungible form: All Securities held by a Depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.
- (d) Rights of Depositories & Beneficial Owners:
 - i. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the Registered Owner for the purposes of effecting transfer of ownership of Securities on behalf of the Beneficial Owner.
 - ii. Save as otherwise provided in (i) above, the Depository as the Registered Owner of the Securities shall not have any voting rights or any other rights in respect of the Securities held by it.
 - iii. Every person holding Shares of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a Member of the Company.
 - iv. The Beneficial Owner of Securities shall, in accordance with the provisions of these Articles and the Act, be entitled to all the rights and subject to all the liabilities in respect of his Securities, which are held by a Depository.
- (e) Service of Documents: Notwithstanding anything contained in the Act or these Articles to the contrary, where Securities are held in a Depository, the records of the Beneficial Ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (f) Transfer of Securities:
 - i. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of Securities effected by transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.
 - ii. In the case of transfer or transmission of Shares or other marketable Securities where the Company has not issued any certificates and where such Shares or Securities are being held in any electronic or fungible form in a Depository, the provisions of the Depositories Act shall apply.
- (g) Allotment of Securities dealt with in a Depository: Notwithstanding anything in the Act or these Articles, where Securities are dealt with by a Depository, the Company shall intimate the details of allotment of relevant Securities thereof to the Depository immediately on allotment of such Securities.
- (h) Certificate No. Etc. of Securities in Depository: Nothing contained in the Act or these Articles regarding the necessity of having certificate number/distinctive numbers for Securities issued by the Company shall apply to Securities held with a Depository.
- (i) Register and Index of Beneficial Owners: The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, shall be deemed to be the Register and Index (if applicable) of Members and Security holders for the purposes of these Articles.

23. Issue of New Certificate in place of One Defaced, Lost or Destroyed.

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, and 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. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules of regulation or requirements of any stock Exchange or the rules made under the Act or the rules made under Securities contracts (Regulation) Act, 1956 or any other Act or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the company.

24. New certificates to be granted on delivery of the old certificates

New certificates shall not be granted under the provisions of the foregoing Article except upon delivery of the worn out or defaced or used up certificate for the purpose of cancellation and upon proof of destruction or loss and upon such terms, if any, as to evidence and indemnity and the payment of out of pocket expenses incurred by the Company in investigating evidence as the Board of Directors may think fit in the case of any certificate having been destroyed, lost or defaced beyond identification.

25. The first named of joint holders deemed sole holder

If any share stands in the name of two or more persons, the person first named in the Register shall, as regards receipt of dividends or bonus or service of notice and all or any other matter connected with the Company except voting at meeting and the transfer of the shares, be deemed the sole holder thereof but the joint holders of a share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's regulations.

26. Company not bound to recognise any interest in share other than of registered holder

Except as ordered by a Court of Competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof, any equitable, contingent, future or partial interest in any share or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

Trust not recognised

[a] Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a Court of Competent jurisdiction or as by law required) be bound to recognise any benami, trust or equity or equitable, contingent, future or partial or other claim or claims or right to or interest in such share in the part of any other person whether or not it shall have express or limited notice thereof. The provisions of Section 153 of the Act, shall apply.

[b] Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor (except in case where they are fully paid) or in the name of a person of unsound mind or in the name of any firm or partnership.

27. Funds of Company not to be applied in purchase of shares of the Company

No funds of the Company shall, except as provided by Section 77 of the Act, be employed in the purchase of its own shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by mean of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any share in the Company in its holding Company.

UNDERWRITING AND BROKERAGE

28. Commission may be paid

Subject to the provisions of Section 76 of the Act, the Company may at any time pay commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in or debentures of the Company, but so that the commission shall not exceed in the case of shares five per cent of the



price at which the shares are issued and in the case of debentures two and half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or debentures as the case may be or partly in one way and partly in the other.

29. Brokerage

The Company may on any issue of shares or debentures or on deposits pay such brokerage as may be reasonable and lawful.

30. Commission to be included in the Annual Return

Where the Company has paid any sum by way of commission in respect of any shares or debentures or allowed any sums by way of discount in respect of any shares or debentures such statement thereof shall be made in the Annual Return as required by part I of Schedule V to the Act.

INTEREST OUT OF CAPITAL

31. Interest out of Capital

Where any shares are issued for the purposes of raising money to defray the expenses of the construction of any works or buildings or the provisions of any plant, which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provision of the plant.

DEBENTURES

32. Debentures with voting rights not to be issued

[a] The Company shall not issue any debentures carrying voting rights at any meeting of the Company whether generally or in respect of particular classes of business, Debenture-stock, bonds or other securities with the right to allotment of or conversion into share shall not be issued except with the sanction of the Company in general meeting.

[b] The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.

[c] Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.

[d] Certain charges (whether expression includes mortgages) mentioned Section 125 of the Act, shall be void against the Liquidator or Creditors unless registered as provided in Section 125 of the Act.

[e] A contract with the Company to take up and pay any debentures of the Company may be enforced by a decree for specific performance.

[f] Unless the conditions of issue thereof otherwise provide, the Company shall (Subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debenture-stock have completed and delivered the certificate of all debenture-stock allotted or transferred.

[g] The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of Debenture Trust Deed and inspection thereof.

[h] The Company shall comply with the provisions of Sections 124 to 145 (inclusive) of the Act as regards registration of charges.

CALLS

33. Directors may make call

Subject to the provisions of Section 91 of the Act the Board of Directors may, from time to time by a Resolution passed at a meeting of a Board (and not by a circular resolution), make such calls as it think fit upon the members in respect of all moneys unpaid on the shares whether on account of the nominal value of the shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by instalments. A call may be postponed or revoked as the Board may determine.

34. Notice of calls

Not less than thirty days notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.

35. When call deemed to have been made

A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors and may be made payable by the members on such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.

36. Directors may extend time

The Board of Directors may from time to time as its discretion, extend the time, fixed for the payment of any call and may extend such time to call on any of members the Board of Directors may deem fairly entitled to such extension, but no member shall be entitled to such extension as of right except as a matter of grace and favour.

37. Amount payable at fixed time or by installments to be treated as calls

If by the terms of issue of any share or otherwise any amount is made payable at any fixed or by installments at fixed time (whether on account of the amount of the share or by way of premium) every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or installment accordingly.

38. When interest on call or installment payable

If the sum payable in respect of any call or installment be not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen per cent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.

39. Evidence in actions by Company against shareholders

On the trial or hearing of any action or suit brought by the Company against any member or his legal representatives for the recovery of any moneys claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the members in respect of whose shares the money is sought to be recovered and entered on the register of member as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the shares in respect of which the money is sought to be recovered that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, not that a quorum of Directors was present at the Board 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.

40. Payment in anticipation of call may carry interest.

The Directors may, if they think fit, subject to the 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 exceeds the amount of the calls 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 moneys 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.

41. Company's lien on shares/debentures.

The company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/debentures wholly or in part to be exempt from the provisions of this clause.

42. As to enforcing lien by sale

The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made :

[a] Unless a sum in respect of which the lien exists is presently payable or



[b] Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

For the purpose of such sale, the Board may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their members to execute a transfer thereof on behalf of and in the name of such members.

[c] The purchaser shall not be bound to see the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

43. Application of proceeds of sale

[a] The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable; and

[b] The residue, if any, after adjusting costs and expenses, if any, incurred shall be paid to the person entitled to the shares at the date of the sale (subject to a like for sums not presently payable existed on the shares before the sale).

FORFEITURE OF SHARES

44. If money payable on share not paid notice to be given

If any member fails to pay the whole or any part of any call or any instalment of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for instalment remains unpaid, give notice to his 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.

45. Sum payable on allotment to be deemed a call

For the purposes of the provisions of these presents relating to forfeiture of shares the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such share on the day of allotment.

46. Form of Notice

The notice shall name a day (not being less than one month from the day of the notice) and a place or places on and at which such call or installment and such interest thereon at such rate not exceeding eighteen per cent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, shares in respect of which the call was made or installment is payable will be liable to be forfeited.

47. In default of payment shares to be forfeited

If the requirements of any such notice as aforesaid are not complied with any share or shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited shares and not actually paid before the forfeiture.

48. Notice of forfeiture to a member

When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

49. Forfeited share to be the property of the Company and may be sold etc.

Any share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed off, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.

50. Member still liable to pay money owing at the time of forfeiture and interest

Any member whose shares have been forfeited shall notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen per cent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.

51. Effect of forfeiture

The forfeiture of a share shall involve the extinction at the time of the forfeiture of all interest in and all claims and demand against the Company in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

52. Power to annul forfeiture

The Board of Directors may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed off, annul the forfeiture thereof upon such conditions as it thinks fit.

53. Declaration of forfeiture

[a] A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

[b] The Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed off.

[c] The person to whom such share is sold, re-allotted or disposed off shall thereupon be registered as the holder of the share.

[d] Any such purchaser or allottee shall not (unless by express agreement) be liable to pay any calls, amounts, installments, interest and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interest or bonuses accrued or which might have accrued upon the share before the time of completing such purchase or before such allotment.

[e] Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the shares.

54. Provisions of these Articles as to forfeiture to apply in case of non-payment of any sum

The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share becomes payable at a fixed time, whether on account of the nominal value of a share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

55. Cancellation of share certificate in respect of forfeited shares

Upon sale, re-allotment or other disposal, under the provisions of these Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

56. Surrender of Shares

The Directors may, subject to the provisions of the Act, accept a surrender of any share from any member desirous of surrendering on such terms and conditions as they think fit.

TRANSFER AND TRANSMISSION OF SHARES

57. No transfer to minor etc.

The Board shall not issue or register a transfer of any shares for a minor (except in case when they are fully paid) or insolvent or person of unsound mind.

58. Instrument of transfer.

The instrument of transfer shall be in writing and all provisions of section 108 of the companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

59. Application for transfer

[a] An application for registration of a transfer of the shares in the Company may be either by the transferor or the transferee.

[b] Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

[c] For the purpose of clause (b) above notice to the transferee shall be deemed to have been duly given if it is despatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall



be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

60. Execution of transfer

The instrument of transfer of any share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be attested. The transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof.

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.

61. Transfer by legal representatives

A transfer of share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.

62. Register of Members when closed

The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of Debenture Holders at such time or times and for such period or periods not exceeding thirty days at a time and not exceeding in the aggregate forty five days each year as it may seem expedient to the Board.

63. Directors may refuse to register transfers.

Subject to the provisions of section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Director may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of 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 when the company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused.

64. Directors may refuse any application for split or consolidation of Certificate(s)

Subject to the power of the Directors stated in Article 63 and the provisions of this clause, transfer of Shares/Debentures, in whatever lot should not be refused. However, the Company may refuse to split a Share Certificate/Debenture Certificate into several scrips of very small denominations or to consider a proposal for transfer of Shares/Debentures comprised in a Share Certificate/Debenture Certificate to several parties, involving such splitting if on the face of its such splitting/transfer appears to be unreasonable or without a genuine need or a marketable lot.

65. Notice of refusal to be given to transferor and transferee

If the Company refused to register the transfer of any shares or debentures or transmission of any right therein, the Company shall within one month from the date on which the instrument of transfer or intimation of transmission was delivered with the Company send notice of refusal to the transferee and the transferor or to the person giving the intimation of the transmission as the case may be giving reasons for such refusal and thereupon the provisions of Section 111 of the Act and statutory modification or re-enactment thereof for the time being in force shall apply.

66. Death of one or more joint holders of shares

In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him with any other person.

67. Titles to shares of deceased member

[a] The executors or administrators of a deceased member or holders of a Succession Certificate or the legal representatives in respect of the shares of a deceased member (not being one of two or more joint holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such members and the Company shall not be bound to recognise such executors or administrators or holders of a succession certificate or the legal representatives unless such executors or administrators or legal representatives shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a

duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks fit, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register under Article 73 shares standing in the name of a deceased member, as a member.

Notice of application when to be given

[b] Where, in case of partly paid shares and application for registration is made by the Transferor, the Company shall give notice of the application to the Transferee in accordance with the provisions of Section 110 of the Act.

68. Registration of persons entitled to shares otherwise than by transfer (Transmission clause)

Subject to the provisions of Article 66, any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by the transfer in accordance with these Articles, may with the consent of the Board of Directors (which it shall not be under obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under these Articles or of his title, as the Board of Directors shall require and upon giving such indemnity as the Directors shall require either be registered as member in respect of such shares or elect to have some person nominated by him and approved by the Board of Directors registered as members in respect of such shares. PROVIDED NEVERTHELESS that if such person shall elect to have his nominee registered, he shall testify his election by executing in favour of his nominee registered, he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with provisions herein contained and until he does so, he shall not be free from any liability in respect of such shares, this clause is herein referred to as "THE TRANSMISSION CLAUSE".

69. Refusal to register nominee

Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.

70. Person entitled may receive dividend without being registered as member

A person entitled to a share transmission shall subject to the right of the Directors to retain such dividends or money as is herein after provided be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the share.

71. No fee on transfer or transmission.

No fee shall be charged for registration of transfer, transmission, Probate, Succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

72. Transfer to be presented with evidence of title

Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and regulations as the Board may, from time to time, prescribe and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

73. The Company not liable for discharge of a notice prohibiting registration of a transfer

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof as shown or appearing in the Register of Members to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless, be at liberty to regard and attend to any such notice and give effect thereto if the Board of Directors shall so think fit.

SHARE WARRANTS

74. Power to issue share warrants

The Company may issue warrants subject to and in accordance with the provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any share which is fully paid upon application in writing signed by the persons registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identify of the person signing the application and on receiving the certificates (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time require, issue a share warrant.



75. Deposit of Share warrants

[a] The bearer of a share warrant may, at any time, deposit the warrant at the office of the Company and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company and of attending and voting and exercising the other privileges of the member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were interested in the Register of Members as the holder of the share included in the deposit warrant.

[b] Not more than one person shall be recognised as depositor of the share warrant.

[c] The Company shall, on two days' written notice, return the deposited share warrant to the depositor.

76. Privileges and disabilities of the holders of share warrant

[a] Subject as herein otherwise expressly provided, no person shall as bearer of a share warrant, sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privileges of a member at a meeting of the Company or be entitled to receive any notice from the Company.

[b] The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Member as the Holder of the Shares included in the warrant and he shall be a member of the Company.

77. Issue of new share warrant or coupon

The Board may, from time to time, make bye-laws as to the terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

78. Share may be converted into stock

The Company may, by Ordinary Resolution :

[a] convert any paid up share into stock; and

[b] reconvert any stock into paid-up shares of any denomination.

79. Transfer of stock

The several holders of such stock may transfer their respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might, before the conversion, have been transferred or as near thereto as circumstances admit.

PROVIDED THAT the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

80. Right of stock holders

The holders of stock shall according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred those privileges or advantages.

81. Regulations applicable to stock and share warrant

Such of the regulations of the Company as the applicable to paid up shares shall apply to stock and the words "Share" and "Share-holder" in these regulations shall include "Stock" and "Stock-holder" respectively.

BORROWING POWERS

82. Power of Borrow

Subject to the provisions of Sections 58A, 292 and 293 of the Act and of these Articles the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept, deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in general meeting. No debt incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the proves lender that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.

83. The payment or repayment of money borrowed

The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respect as the Board of Directors may think fit and in particular in pursuance of a resolution passed at a meeting of the Board (and not by Circular Resolution) by the issue of bonds, debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its uncalled capital for the time being and the debentures and the debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

84. Term of issue of debenture.

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the company in the General Meeting by a special Resolution.

85. Mortgage of uncalled capital

If any uncalled capital of the Company is included in or charged by any mortgage or other security, the Directors may, subject to the provisions of the Act and these Articles, make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security executed.

MEETING OF MEMBERS

86. Statutory Meeting

The Statutory Meeting shall be held in accordance with the provisions of Section 165 of the Act within a period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business.

87. Annual General Meeting and the persons entitled to attend

[1] The Company shall in each year held, in addition to any other meeting a General Meeting as its Annual General Meeting in accordance with the provisions of Sections 166 and 210 of the Act and shall specify the meeting as such in the notice calling it, except in the case where the Registrar, has given an extension of time for holding any Annual General Meeting, of the Company and that of the next.

PROVIDED THAT if the Registrar shall have for special reason, extended the time within which any Annual General Meeting shall be held such Annual General Meeting may be held within the additional time.

[2] Every Annual General Meeting shall be called for any time during business hours, on a day that is not a public and shall be held either at the registered office of the Company or at some other place within the city or town or village in which the registered office of the Company is situated for the time being.

[3] Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor.

88. Report Statement and registers to be laid before the Annual General Meeting

At every General Meeting of the Company there shall be laid on the table the Directors' Report and Audited Statement of Accounts, Auditors' Report (if not already incorporated in the Audited Statement of Accounts), the proxy register with proxies and the Register of Directors, Shareholdings which latter Register shall remain open and accessible during the continuance of the meeting.

89. Extra-ordinary General Meeting

All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings.

90. Requisitions' Meeting

[1] Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of members as hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitioners:

(a) give to the members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting.

(b) circulate to members entitled to have notice of any general meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that meeting.

[2] The number of members necessary for a requisition under clause (1) hereof shall be :



(a) Such number of members as represent not less than one-twentieth of the total voting power of all the members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or

(b) not less than one hundred members having the rights aforesaid and holding shares in the Company on which there has been paid up an aggregate sum of not less than rupees one lakh in all.

[3] Notice of any such resolution shall be given and any such statement shall be circulated to members of the Company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each member in any manner permitted by the Act for service of notice of the meeting and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act, for giving him notice of meeting of the Company.

The copy of the resolutions shall be served or notice of the effect of the resolution shall be given, as the case may be, in the same manner and so far as practicable, at the same time as notice of the meeting and where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

[4] The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless :

(a) a copy of the requisition signed by the requisitionists (or two or more copies, which between them contain the signature of all the requisitionists) is deposited at the registered office of the Company.

(i) in the case of requisition, requiring notice of resolution, not less than six weeks before the meeting;

(ii) in the case of any other requisition, not less than two weeks before the meeting;

(b) there is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto.

PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof.

[5] The Company shall also not be bound under this Article to circulate any statement if, on the application either of the Company or of any other person who claims to be aggrieved is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter.

[6] Notwithstanding anything in these Articles, the business which may be dealt with at an Annual General Meeting shall include any resolution of which notice is given in accordance with this Article and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission, in giving it, to one or more members.

91. Extra-ordinary General Meeting by Board and by requisition

[a] The Directors may, whenever they think fit, convene an Extra-ordinary General Meeting and they shall on requisition of the members as hereinafter provided, forthwith proceed to convene Extra-ordinary General Meeting of the Company.

[b] When a Director or any two members may call an Extra-ordinary General Meeting

If at any time there are not within India sufficient Directors capable of acting to form a quorum or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a general meeting, any Director or any two or more members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call an Extra-ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.

92. Contents of requisition and number of requisitionists required and the conduct of meeting

[1] In case of requisition the following provisions shall have effect :

(a) The requisition shall set out the matter for the consideration of which the meeting is to be called and shall be signed by the requisitionists and shall be deposited at the registered office of the Company.

(b) The requisition may consist of several documents in like form, each signed by one or more requisitionists.

(c) The number of members entitled to requisition a meeting in regard to any matter shall be such number as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up share capital of the Company as at that date carries the right of voting in regard to that matter.

(d) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (3) shall apply separately in regard to such matter and the requisition shall accordingly be valid only in respect of those matters in regard to which the conditions specified in that clause is fulfilled.

(e) If the Board does not, within twentyone days from the date of the deposit of a valid requisition in regard to any matters, proceeds duly to call a meeting for the consideration of those matters on a day not later than forty-five days from the date of the deposit of the requisition, the meeting may be called :

(i) by the requisitionists themselves; or

(ii) by such of requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of the paid-up share capital of the Company as is referred to in sub-clause (c)

of clause (1) whichever is less. PROVIDED THAT for the purpose of this sub-clause, the Board shall in the case of a meeting at which a resolution is to be proposed as a special resolution, be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.

[2] A meeting called under sub-clause (c) of clause (1) by requisitionists or any of them :

(a) shall be called in the same manner, as nearly as possible, as that in which meeting is to be called by the Board; but

(b) shall not be held after the expiration of three months from the date of the deposit of the requisition. PROVIDED THAT nothing in sub-clause (b) shall be deemed to prevent a meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some day after the expiry of that period.

[3] Where two or more persons hold any shares in the Company jointly, a requisition or a notice calling a meeting signed by one or some only of them shall for the purpose of this Article, have the same force and effect as if it has been signed by all of them.

[4] Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company and any sum repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

93. Length of notice of meeting

[1] A General Meeting of the Company may be called by giving not less than twenty-one days notice in writing.

[2] A General Meeting may be called after giving shorter notice than that specified in clause (1) hereof; if consent is accorded thereto :

- (i) in the case of Annual General Meeting by all the members entitled to vote thereat and
- (ii) in the case of any other meeting, by members of the Company holding not less than ninety-five per cent of such part of the paid up share capital of the Company as gives a right to vote at the meeting.

PROVIDED THAT where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purpose of this clause in respect of the former resolution or resolutions and not in respect of the later.

94. Contents and manner of services of notice

[1] Every notice of a meeting of the Company shall specify the place and the day and hour of the meeting and shall contain a statement of the business to be transacted thereat.

[2] Subject to the provisions of the Act, notice of every General Meeting shall be given :

- (a) to every member of the Company in any manner authorised by sub-sections (1) to (4) of Section 53 of the Act.
- (b) to the persons entitled to a share in consequence of the death or insolvency of a member, by sending it through the post in a prepaid letter addressed to them by name or by the title of representative of the deceased or assignee of the insolvent or by like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled or until such an address has been so supplied by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred and
- (c) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of members of the Company.

[3] Any member of a Company entitled to attend and vote at a meeting of Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting.

PROVIDED THAT unless where the proxy is appointed by a body corporate a proxy shall not be entitled to vote except on a poll.

95. Special and Ordinary business and explanatory statement

[1] (a) In the case of an Annual General Meeting, all business to be transacted at the meeting shall be deemed special, with the exception of business relating to :

- (i) the consideration of the Accounts, Balance Sheet and the Reports of the Board of Directors and Auditors.
- (ii) the declaration of dividend;
- (iii) the appointment of Directors in the place of those retiring; and
- (iv) the appointment of and the fixing of the remuneration of the Auditors; and
- (b) In the case of any other meeting, all business shall be deemed special.

[2] Where any items of business to be transacted at the meeting of Company are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest, if any, therein of every Directors.



PROVIDED THAT where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighbourhood of registered office of the Company under sub-section (3) of the Section 53 of the Act, the statement of material facts referred to in Section 173 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.

PROVIDED THAT where any such item of special business at the meeting of the Company relates to or affects any other company, the extent of shareholding interest in that other company of every Directors of the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than twenty per cent of the paid up share capital of that other company.

[3] Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

96. Omission to give notice not to invalidate proceedings

The accidental omission to give such notice as aforesaid to or non-receipt thereof by any member or other person to whom it should be given, shall not invalidate the proceedings of any such meeting.

97. Notice of business to be given

No General Meeting, Annual or Extra-ordinary shall be competent to enter upon, discuss or transact any business, which has not been mentioned in the notice or notices convening the meeting.

98. Quorum

Five members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the general meeting unless the quorum requisite be present at the commencement of the meeting. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a member of the Company shall be deemed to be personally present if he is presented in accordance with Section 187A of the Act.

99. If quorum not present when meeting to be dissolved and when to be adjourned

If within half an hour from the time appointed for holding a meeting of the Company a quorum is not present, the meeting if called by or upon the requisition of members shall stand adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjourned meeting also a quorum is not present with half an hour from the time appointed for holding the meeting, the member present shall be quorum and may transact the business for which the meeting was called.

100. Resolutions passed at adjourned meeting

Where a resolution is passed at an adjourned meeting of the Company, the resolution for all purposes, be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

101. Chairman of general meeting

The Chairman of the Board of Directors shall be entitled to take the chair at every general meeting or if there be no such Chairman or if any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or shall decline to take the Chair, the Vice-Chairman, if any, shall be entitled to take the chair. If the Vice-Chairman is also not present or is unwilling to take the chair, the Directors present shall elect one of them as Chairman and if no Director be present or if the Directors present decline to take the chair, then the members present shall elect one of the members to be a Chairman. If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of the Act and the Chairman elected on show of hands shall exercise all the powers of the Chairman under the under the said provision. If some other person is elected Chairman as a result of the poll the shall be the Chairman for the rest of the meeting.

102. Business confined to election of Chairman whilst Chair vacant

No business shall be discussed at any general meeting except the election of a Chairman whilst the Chair is vacant.

103. Chairman may adjourn, meeting

[a] The Chairman may, with the consent of any meeting at which a quorum is present and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place.

[b] No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment look place.

[c] When a meeting is adjourned for thirty days or more notice of the adjourned meeting shall be given as in the case of an original meeting.

[d] Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the business to be transacted at any adjourned meeting.

104. How question to be decided at meetings

Every question submitted to a general meeting shall be decided in the first instance by a show of hands unless the poll is demanded as provided in these Articles.

105. Chairman's declaration of result of voting on show of hands

A declaration by the Chairman of the meeting that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof, of the number or proportion of votes cast in favour of or against such resolution.

106. Demand of poll

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the person or persons who make the demand.

107. Time of taking of poll

A poll demanded on a question of adjournment or election of a Chairman shall be taken forthwith. A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when the demand was made and in such manner and place as the Chairman of the meeting may direct and the result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

108. Chairman's casting vote

In the case of equality of votes the Chairman shall both on a show of hands and a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member.

109. Appointment of scrutineers

Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause.

110. Demand for poll not to prevent transaction of other business

The demand for a poll shall not prevent transaction of other business except on the question of the Chairman and of an adjournment other than the question on which the poll has been demanded.

111. Special notice

Where, by any provision contained in the Act or these Articles, special notice is required for any resolution, notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the meeting at which it is to be moved, exclusive of the day on which the notice is served or deemed to be served and the day of the meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its members notice of the resolution in the same manner as it gives notice of the meeting or if that is not practicable shall give them notice thereof, either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the meeting.

111-A. Passing of resolution by Postal Ballot.

Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing a resolution by the members of the Company by means of a postal ballot and/or other ways as may be prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in a General Meeting of the Company:-

- (i) Any business that can be transacted by the Company in General Meeting; and
- (ii) Particularly, resolutions relating to such business as the Central Government, may by notification, declare to be conducted only by postal ballot.

The Company shall comply with the procedure for such postal ballot and/ or other ways prescribed by the Central Government in this regard.



VOTES OF MEMBERS

112. Member paying money in advance not to be entitled to vote in respect thereof

A member paying the whole or a part of the amount remaining unpaid on any share held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

113. Restriction on exercise of voting rights of members who have not paid calls

No member shall exercise any voting rights in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.

114. Number of votes to which member entitled

Subject to the provisions of Article 112 every member of the Company, holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person (or being a body corporate present by a representative duly authorised) have one vote and on a poll, when present in person (including a body corporate by a duly authorised representative) or by an agent duly authorised under a Power of Attorney or by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any preference share-holder be present at any meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolutions before the meeting which directly affect the rights attached to his preference shares. A member is not prohibited from exercising his voting rights on the ground that he has not held his shares or interest in the Company for any specified period proceeding the date on which the vote is taken.

115. Votes of members of unsound mind

A member of unsound mind or in respect of whom order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll vote by proxy.

116. Votes of joint members

If there be joint registered holders of any shares one of such persons may vote at any meeting personally or by an agent duly authorised under a Power of Attorney or by proxy in respect of such shares as if he were solely, entitled thereto but the proxy so appointed shall not have any right to speak at the meeting and if more than one of such joint holders be present at any meeting either personally or by agent or by proxy, that one of the said persons so present who stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the holders shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the register in respect of such shares. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these Articles be deemed joint holders thereof.

117. Representation of body corporate

[a] A body corporate (whether a Company within the meaning of the Act or not) may, if it is a member or creditor of the Company (including a holder of debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other Governing Body, to act as its representative at any meeting of the Company or any class of members of the Company or at any meeting of the creditors of the Company or debenture holders of the Company. A person authorised by resolution as aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member, creditor or holder of debentures of the Company. The production of a copy of the resolution referred above, certified by Director or the Secretary of such body corporate before the commencement of the meeting shall be accepted by the Company as sufficient evidence of the validity of the said representative's appointment and his right to vote thereat.

[b] Where the President of India or the Governor of a State is a member of the Company, the President or as the case may be, the Governor may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company and such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President or as the case may be, the Governor could exercise as a member of the Company.

118. Votes in respect of deceased or insolvent members

Any person entitled under the transmission Article to transfer any share may vote any General Meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that at least forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he

shall satisfy the Directors of the rights to transfer such shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

119. Voting in person or by proxy

Subject to the provisions of these Articles, vote may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act.

120. Rights of members to use votes differently

On a poll taken at a meeting of the Company a member entitled to more than one vote or his proxy or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

121. Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS that a proxy so appointed shall not have any right whatever to speak at the meeting. Every notice convening a meeting of the Company shall state that a member entitled or attend and vote is entitled to appoint one or more proxies.

122. Proxy either for specified meeting or for a period

An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and adjournment thereof or it may appoint a proxy for the purpose of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

123. No proxy to vote on a show of hands

No proxy shall be entitled to vote by a show of hands.

124. Instrument of proxy when to be deposited

The instrument appointing a proxy and the Power of Attorney or Authority (if any) under which it is signed or a notarially certified copy of that power of Attorney or Authority, shall be deposited at the Registered Office of the Company forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

125. Form of proxy

Every instrument of proxy whether for a specified meeting or otherwise shall as nearly as circumstances will admit be in the form set out in Schedule IX to the Act and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate be under its seal or be signed by any officer or attorney duly authorised by it.

126. Validity of votes given by proxy notwithstanding revocation of authority

A vote given in accordance with the terms of instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of any Power of Attorney under which such proxy was signed or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Company at the Registered Office before the commencement of the meeting or adjourned meeting at which the proxy is used provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and of the same not have been revoked.

127. Time for objection to vote

No objection shall be made to the qualification of any vote to the validity of a vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote, whether given personally or by proxy, not disallowed at such meeting shall be valid for all purposes and such objection made in due time shall be referred to the Chairman of the meeting.

128. Chairman of any meeting to be the judge of validity of any vote

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.

129. Custody of instrument



If any such instrument of appointment be confined to the object of appointing an attorney or proxy for voting at meetings of the Company, it shall remain permanently or for such time as the Directors may determine, in the custody of the Company. If embracing other objects, copy thereof examined with the original shall be delivered to the Company to remain in the custody of the Company.

DIRECTORS

130. Number of Directors

Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.

131. The first Directors of the Company shall be :

1. **Dr. J. Murali Manohar**
2. **Ms. Sunanda Murali Manohar**
3. **Mr. K. Venkatasubramanian**

131. Debenture Directors

Any Trust Deed for securing debenture or debenture-stocks, may, if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of debentures or debenture-stocks, of some person to be a Director of the Company and may empower such Trustees or holder of debentures or debenture-stocks, from time to time, to remove and re-appoint any Director so appointed. The Director appointed under Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

132. Nominee Director

Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the financial institutions/banks of any loans granted by them to the Company or so long as financial institutions/banks continue to hold debentures in the Company as a result of underwriting or by direct subscription or private placement so long as the financial institutions/banks holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the financial institutions/banks on behalf of the Company remains outstanding, the financial institutions/banks shall have a right to appoint from time to time any person or persons as a Director or Directors, Whole-time or non-Whole-time (which Director or Directors is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s. The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the financial institutions/banks, such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the financial institutions/banks such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office so long as any moneys remain owing by the Company to the financial institutions/banks or so long as the financial institutions/banks holds debentures in the Company as a result of direct subscription or private placement or so long as the financial institutions/banks holds shares in the Company as a result of underwriting or direct subscription or the liability of the Company arising out of any guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the financial institutions/banks is paid off or on the financial institutions/banks ceasing to hold debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of any guarantee furnished by the financial institutions/banks.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the committee of which the Director/s is/are member/s as also the minutes of such meetings. The financial institutions/banks shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commissions, moneys and remuneration in relation to such Nominee Director/s shall accrue to the financial institutions/banks and same shall accordingly be paid by the Company directly to the financial institutions/banks. Any expenses that may be incurred by the financial institutions/banks or by such

Nominee Director/s in connection with their appointment as Directorship shall also be paid or reimbursed by the Company to the financial institutions/banks or as the case may be to such Nominee Director/s.

Provided that if any such Nominee Director/s is an Officer of the financial institutions/banks, the sitting fee in relation to such Nominee Director/s shall also accrue to the financial institutions/banks and the same shall accordingly be paid by the Company directly to the financial institutions/banks.

Provided also that in the event of the Nominee Director/s being appointed as Whole-time Directors, such Nominee Director/s shall exercise such powers and duties as may be approved by the Lenders and have such rights as are usually exercised or available to a Whole-time Director in the management of the affairs of the Borrower. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Lenders.

133. Limit on number of retiring Directors

The provisions of Articles 136, 137 and 138 are subject to the provisions of Section 256 of the Act and number of such Directors appointed under Article 137 shall not exceed in the aggregate one-third of the total number of Directors for the time being in office.

134. Appointment of Alternate Director

The Board may appoint an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original Director") to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such meetings to have and exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to the State in which the meetings of the Board are ordinarily held if the terms of office of the Original Director is determined before he returns to as aforesaid. Any provision in the Act or in these Articles for automatic re-appointment of retiring Director in default of another appointment shall apply to the Original Director and the Alternate Director.

135. Directors may fill vacancies

The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date up to which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid but he shall then be eligible for re-election.

136. Additional Directors

The Directors shall also have power to at any time and from time to time appoint any other person to be a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum fixed. Any person so appointed as an addition to the Board shall hold his office only upto the date of the next Annual General Meeting but shall be eligible for election at such meeting.

137. Qualification shares

A Director need not hold any qualification shares.

138. Remuneration of Directors

The remuneration of a Directors for his service shall be such sum as may be fixed by the Board of Directors subject to a ceiling as may be prescribed by the Central Government from time to time for each meeting of the Board or a Committee thereof attended by him. The Directors subject to the sanction of the Central Government (if any required) may be paid such further remuneration as the Company in General Meeting shall, from time to time, determined and such further remuneration shall be divided among the Directors in such proportion and manner as the Board may from time to time determine and in default of such determination shall be divided among the Directors equally.

Subject to the provisions of the Act, a Director who is either in the whole time employment of the Company or a Managing Director may be paid remuneration as provided in Sections 198, 309, 310 and 311 of the Act and Schedule XIII of the Act either by way of monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.

Subject to the provisions of the Act, a Directors who is neither in the Whole-time employment of the Company nor a Managing Director may be paid remuneration as provided in Sections 198, 309, 310 and 311 of the Act and Schedule XIII of the Act either:

- (i) by way of a monthly, quarterly or annual payment with the approval of the Central Government; or



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- (ii) by way of commission if the Company by special resolution authorise such payment.
A Director may receive remuneration by way of a fee for each meeting of the Board or a committee thereof attended by him as prescribed by Central Government.

139. Extra remuneration to Directors for special work

Subject to the provisions of Sections 198, 309, 310, 311 and 314 of the Act, if any Director, being willing shall be called to perform extra services (which expression shall include work done by a Director as a member of any committee formed by the Directors or in relation to signing Share Certificates) or to make special exertions in going or residing or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company shall remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided.

140. Traveling expenses incurred by Directors on Company's business

The Board of Directors may, subject to the limitations provided by the Act, allow and pay to any Director who attends a meeting of the Board of Directors or any Committee thereof or General Meeting of the Company or in connection with the business of the Company at a place other than his usual place of residence for the purpose of attending a meeting such sum as the Board may consider fair compensation for traveling, hotel and other incidental expenses properly incurred by him, in addition to his fees for attending such meeting as above specified.

141. Director may act notwithstanding vacancy

The continuing Director or Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by these Articles, for a meeting of the Board of Director or Directors may act for the purpose of increasing the number of Directors or that fixed for the quorum or for summoning a General Meeting of the Company but for no other purposes.

142. Board resolution necessary for certain contracts

[1] except with the consent of the Board of Directors of the Company, a Director of the Company or his relatives, a firm in which such a Director or relative is partner, any other partner in such a firm or a private company of which the Director, is a member or Director, shall not enter into any contract with the Company.

- (a) for the sale, purchase or supply of goods, materials or services; or
- (b) for underwriting the subscription of any share in or debentures of the Company.

[2] Nothing contained in clause (a) of sub-clause (1) shall effect :

- (i) the purchase of goods and materials from the Company or the sale of goods and materials to the Company, by any Director, relative, firm, partner or Private Company as aforesaid for cash at prevailing market prices; or
- (ii) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or Private Company on the other for sale, purchase or supply of any goods, materials and services in which either the Company, as the Director, relative, firm, partner or Private Company, as the case may be regularly trades or does business, PROVIDED THAT such contract or contracts do not relate to goods and materials the value of which or services, the cost of which, exceeds five thousand rupees in the aggregate in any year comprised in the period of the contracts.

[3] Notwithstanding anything contained in sub-clauses (1) and (2) hereof, a Director, relative, firm, partner or Private Company as aforesaid may, in circumstances of urgent necessity, enter without obtaining the consent of the Board, into any contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or cost of such services exceeds rupees five thousand in the aggregate in any year comprised in the period of the contract; but in such a case the consent of the Board shall be obtained at a meeting within three months of the date on which the contract was entered into.

[4] Every consent of the Board required under this Article, shall be accorded by a resolution passed at a meeting of the Board required under clause (1) and the same shall not be deemed to have been given within the meaning of that clause unless the consent is accorded before the contract is entered into or within three months of the date on which it was entered into.

[5] If consent is not accorded to any contract under this Article, anything done in pursuance of the contract will be voidable at the option of the Board.

143. Disclosure to the Members of Director's interest in contract in appointing Manager, Managing Director or Whole-time Director

When the Company:

- [a] enters into a contract for the appointment of a Managing Director or Whole-time Director in which contract any Director of the Company is, whether directly or indirectly, concerned or interested; or
- [b] varies any such contract already in existence and in which a Director is concerned or interested as aforesaid, the provision of Section 302 of the Act shall be complied with.

144. Disqualification of Director

A person shall not be capable of being appointed Director of the Company if:

- [a] he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
- [b] he is an undischarged insolvent;
- [c] he has applied to be adjudged an insolvent and his application is pending;
- [d] he has been convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not been elapsed from the date of expiry of the sentence;
- [e] he has not paid any call in respect of shares of the Company held by him whether alone or jointly with others and six months have elapsed from the last day fixed for the payment of the call; or
- [f] an order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that section.

145. Vacation of office by Directors

[1] The office of a Director shall become vacant if :

- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) he applies to be adjudged an insolvent; or
- (c) he is adjudged an insolvent; or
- (d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or
- (e) he fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government, by a Notification in the official Gazette, remove the disqualification incurred by such failure; or
- (f) absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or
- (g) he (whether by himself or by any person for his benefits or on his account) or any firm in which he is a partner or any private company of which he is a Director, accepts a loan or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
- (h) he being in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company fails to disclose the nature of his concern or interest at a meeting of the Board of Directors as required by Section 299 of the Act; or
- (i) he becomes disqualified by an order of the Court under Section 203 of the Act; or
- (j) he is removed by an ordinary resolution of the Company before the expiry of his period of office; or
- (k) if, by notice in writing to the Company, he resigns his office; or
- (l) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.

[2] Notwithstanding anything contained in sub-clauses (c), (d) and (i) of clause (1) hereof, the disqualification referred to in these clauses shall not take effect:

- (a) for thirty days from the date of the adjudication, sentence or order;
- (b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed off; or
- (c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed off.

[3] Removal of Directors

(a) The Company may, subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles by ordinary resolution remove any Director not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of his period of office.

(b) Special Notice as provided by Article hereof or Section 190 of the Act, shall be required of any resolution to remove a Director under the Article or to appoint some other person in place of a Director so removed at the meeting at which he is removed.

(c) On receipt of notice of a resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned and the Director (whether or not he is a member of the Company) shall be entitled to be heard on the resolution at the meeting.

(d) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding reasonable length) and request their notification to members of the Company, the Company shall, unless the representations are received by it too late for it, to do so (a) in the notice of the resolution given to the members of the Company state the fact of the representations having been made and (b) send a copy of the representations or every member of the Company to



whom notice of the meeting is sent (before or after the representations by the Company) and if a copy of the representation is not sent as aforesaid because they were received too late or because of the Company's default the Director may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting; provided that copies of the representations need not be sent or read out at meeting if on the application either of the Company or of any other person who claims to be aggrieved the Court is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.

[e] A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board in pursuance of Article 136 or Section 262 of the Act, be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under sub-clause (3) hereof. A Director so appointed shall hold office until the date upto which his predecessors would have held office if he had not been removed as aforesaid.

[f] If the vacancy is not filled under sub-clause (e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable of Article 142 or Section 262 of the Act and all the provisions of that Article and section shall apply accordingly.

[g] A Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.

[h] Nothing contained in this Article shall be taken :
(i) as depriving a person removed hereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director; or
(ii) as derogating from any power to remove a Director which may exist apart from this Article.

146. Disclosure of interest by Director

[1] Every Director of the Company who is in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into, by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board of the Directors in the manner provided in Section 299(2) of the Act.

[2] (a) In the case of proposed contract or the arrangement, the disclosure required to be made by a Director under clause (1) shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration or if the Director was not at the date of that meeting concerned or interested in the proposed contract or arrangement at the first meeting of the Board held after he be so concerned or interested.

(b) In case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

[3] (a) For the purpose of clauses (1) and (2) a general notice given to the Board by a Director to the effect that he is a Director or a member of a specified body corporate or is a member of a specified firm and is to be regarded as interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be sufficient disclosure of concern or interest in relation to any contract or arrangement so made.

(b) Any such general notice shall expire at the end of the financial year in which it is given, but may be renewed for further period of one financial year at a time by a fresh notice given in which it would otherwise expires.

(c) No such general notice and no renewal thereof, shall be of effect unless either it is given at a meeting of the Board or the Directors concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

(c) Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into between the Company and any other company where any one or more of the Directors of the Company together holds or hold not more than two percent of the paid up share capital in the other company.

ROTATION AND APPOINTMENT OF DIRECTORS

147. Directors may be Directors of the Companies promoted by the Company

If a Director of the Company is appointed a Director of any company promoted by the Company or in which it may become interested as a vendor, shareholder or otherwise, such Director shall not be accountable for any benefits received as Director or Shareholder of such Company except in so far as Section 309(6) or Section 314 of the Act may be applicable.

148. Rotation of Directors

Not less than two thirds of the total number of Directors shall (a) be persons whose period of the office is liable to termination by retirement of Directors by rotation and (b) Directors be appointed by the Company in General Meeting.

149. Retirement of Directors

Subject to the provisions of Section 256 of the Act and Articles 135, 136 to 143 at every Annual General Meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three the number nearest to one-third shall retire from office. The Debenture Directors, Nominee Directors, Corporation Directors, subject to Article 159 Managing Directors, if any, shall not be subject to retirement under this Article and shall not be taken into account in determining the number of Directors to retire by rotation. In these Articles, a “Retiring Director” means a Director retiring by rotation.

150. Ascertainment of Directors retiring by rotation and filling of vacancies

Subject to Section 288(5) of the Act, the Directors to retire by rotation under Article 150 at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between those who became Directors on the same day, those who are to retire shall in default of and subject to any agreement amongst themselves, be determined by lot.

151. Eligibility for re-election

A retiring Director shall be eligible for re-election and shall act as a Director through out and till the conclusion of the meeting at which he retires.

152. Company to fill vacancies

Subject to Sections, 258, 259 and 284 of the Act, the Company at the General Meeting at which a Director retires in manner aforesaid may fill up the vacancy by appointing the retiring Director or some other person thereto.

153. Provision in default of appointment

[a] If the place of retiring Directors is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.

[b] If at the adjourned meeting also, the place of the retiring Director is not filled up and the meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless;

(i) at that meeting or the previous meeting a resolution for the re-appointment of such Director has been put to the meeting and lost.

(ii) the retiring Director has by a notice in writing addressed to the Company or its Board of Directors expressed his unwillingness to be so re-appointed.

(iii) he is not qualified or is disqualified for appointment.

(iv) a resolution whether special or ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act; or

(v) the proviso to sub-section (2) of Section 263 of the Act is applicable to the case.

154. Company may increase or reduce the number of Directors or remove any Director

Subject to the provisions of Sections, 252, 255 and 259 of the Act, the Company may, by ordinary resolution from time to time, increase or reduce the number of Directors and may alter qualifications.

155. Appointment of Directors to be voted individually

[a] No motion at any General Meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being given against it.

[b] A resolution moved in contravention of clause (a) hereof shall be void, whether or not objection was taken at the time of it being, so moved, provided where a resolution so moved is passed, no provisions for the automatic re-appointment of retiring Directors in default of another appointment as therein before provided shall apply.

[c] For the purpose of this Article, a motion for approving a person’s appointment or for nominating a person for appointment, shall be treated as a motion for his appointment.

156. Notice of Candidature for office of Director except in certain cases

[1] No person not being a retiring Director shall be eligible for election to the office of Director at any General Meeting unless he or some other member intending to propose him has at least fourteen days before the meeting left at the office of the Company a notice in writing under his hand signifying his candidature for the office of a Director or the intention of such member to propose him a Director for that office as the case may be along with a deposit of five hundred rupees which shall be refunded to such person or as the case may be, to such member if the person succeeds in getting elected as a Director.

[2] The Company shall inform its members of the candidature of the person for the office of Director or the intention of a member to propose such person as a candidate for that office by serving individual notices on the members not less than seven days before the meeting provided that it shall not be necessary for the Company to



serve individual notices upon the members as aforesaid if the Company advertises such candidature or intention not less than seven days before the meeting in at least two newspapers circulating in the place where the registered office of the Company is located of which one is published in the English language and the other in the regional language of that place.

[3] Every person (other than a Director retiring by rotation or otherwise or person who has left at the office of the Company a notice under Section 257 of the Act, signifying his candidature for the office of a Director) proposed as candidate for the office of a Director shall sign and file with the Company his consent in writing to act as a Director if appointed.

[4] A person other than:

[a] a Director re-appointed after retirement by rotation or immediately on the expiry of his term of office; or

[b] an Additional or Alternate Director or a person filling a casual vacancy in the office of a Director under Section 252 of the Act appointed as a Director, re-appointed as an Additional or Alternate Director immediately on the expiry of his term of office shall not act as a Director of the Company unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director.

157. Disclosure by Directors of their holdings of shares and debentures of the Company

Every Director and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that section. Any such notice shall be given in writing and if it is not given at a meeting of the Board, the person giving the notice shall take all reasonable steps to secure that it is brought up and read at the first meeting of the Board next after it is given.

MANAGING DIRECTOR, WHOLE-TIME DIRECTOR

158. Board may appoint Managing Director or Managing Directors and or Whole-time Directors

Subject to the provisions of the Act and these Articles, the Directors shall have power to appoint from time to time one or more of their body to be Managing Director or Managing Directors and or Whole-time Director or Whole-time Directors of the Company for such term not exceeding five years at a time as they may think fit to manage the affairs and business of the Company and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

159. What provisions they will be subject to

Subject to the provisions of the Act and these Articles, the Managing Director or Whole-time Director shall not while he continues to hold that office, be subject to retirement by rotation under Article 150 but he shall be subject to the same provisions as to the resignation and removal as the other Directors of the Company and he shall ipso facto and immediately cease to be Managing Director or Whole-time Director if he chooses to hold office of Director for any cause provided that if at any time the number of Directors (including Managing Director or Whole-time Director) as are not subject to retirement by rotation shall exceed one-third of the total number of the Directors for the time being, then such of the Managing Director or Whole-time Director or two or more of them as the Directors may from time to time determine shall be liable to retirement by rotation in accordance with the Article 150 to the extent that the number of Directors not liable to retirement by rotation shall not exceed one-third of the total number of Directors for the time being.

160. Remuneration of Managing or Whole-time Director(s)

The remuneration of the Managing Director and or Whole-time Director shall (subject to such sanction by the Central Government as by law required and subject to Section 309 and other applicable provisions of the Act, including Schedule XIII of the Act and of these Articles and of any contract between him and the Company) be fixed by the Directors, from time to time and may be by way of fixed salary and/or perquisites or commission on profits of the Company or by participation in such profits or by any other mode not expressly prohibited by the Act.

161. Powers and duties of Managing and/or Whole-time Director(s)

Subject to the superintendence, control and direction of the Board the day to day management of the Company shall be in the hands of the Managing Director(s) or Whole-time Director(s) appointed under Article 159 with power to the Board to distribute such day to day management functions among such Director(s) in any manner as deemed fit by the Board and subject to the provisions of the Act and these Articles the Board may by resolution vest any such Managing Director or Managing Directors or Whole-time Director or Whole-time Directors with such of the power hereby vested in the Board generally as it thinks fit and such powers may be made exercisable for such periods and upon such conditions and subject to the such restrictions as it may determine and they may subject to the provisions of the Act and these Articles confer such power either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Director in that behalf and may from time to time revoke withdraw, alter or vary all or any of such powers.

PROCEEDINGS OF THE BOARD OF DIRECTORS

162. Meeting of the Directors

The Directors may meet together as a Board for the dispatch of business from time to time unless the Central Government by virtue of the proviso to Section 285 of the Act otherwise directs, shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit. The provision of this Article shall not be deemed to have been contravened merely by reason of the fact that the meeting of the Board which had been called in compliance with the terms of this Article could not be held for want of a quorum.

163. Notice of meeting

[1] Notice of every meeting of the Board of Directors shall be given in writing to every Director for the time being in India and at his usual address in India to every other Director. At least seven days notice in writing shall be given to Directors specifying the time and place of the meeting.

When meeting to be convened

[2] A Director may at any time and the Secretary upon the request of a Director made at any time shall convene a meeting of the Board of Directors by giving a notice in writing to every Director for the time being in India and at his usual address in India to every other Director.

164. Quorum

[a] Subject to Section 287 of the Act, the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher. PROVIDED THAT where at any time the number of interested Directors at any meeting exceeds or is equal to two-third of the total strength, the number of the remaining Directors (that is to say, the number of remaining who are not interested) present at the meeting being not less than two shall be the quorum during such time.

[b] For the purpose of clause (a)

(i) 'Total strength', means total strength of the Board of Directors of the Company determined in pursuance of the Act, after deducting therefrom number of the Directors, if any, whose places may be vacant at the time; and

(ii) "Interested Directors" means any Director whose presence cannot by reason of any provisions in the Act, count for the purpose of forming a quorum at a meeting of the Board, at the time of the discussion or vote on any matter.

165. Procedure when meeting adjourn for want of quorum

If a meeting of the Board could not be held for want of quorum then the meeting shall automatically stand adjourned till the day in the next week, at the same time and place or if that day is a public holiday, till the next succeeding day which is not a public holiday at the same time and place, unless otherwise adjourned to a specific date, time and place.

166. Chairman

The Directors from among their number may elect a Chairman of the Board of Directors. If at any meeting the Chairman is not present at the time appointed for holding the same, the Directors present shall choose one of their numbers to be the Chairman of such meeting.

167. Questions at Board Meeting how decided

Subject to the provisions of Sections 316, 372(5) and 386 of the Act, questions arising at any meeting of the Board shall be decided by a majority of votes and in case of any equality of votes, the Chairman shall have a second or casting vote.

168. Powers of Board Meeting

A meeting of the Board of Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or these Articles or the regulations for the time being of the Company are vested in or exercisable by the Board of Directors generally.

169. Director may appoint committee

The Board of Directors may subject to the provisions of Section 292 and other relevant provisions of the Act and of these Articles, delegate any of the powers other than the powers to make calls and to issue debentures to such committee or committees and may from time to time revoke and discharge any such committee of the Board either wholly or in part and either as to the persons or purposes, but every committee of the Board so formed shall in exercise of the powers so delegated conform to any regulation that may from time to time be imposed on it by the



Board of Directors. All acts done by any such committee of the Board in conformity with such regulations and in fulfilment of the purpose of their appointments, but not otherwise, shall have the like force and effect, as if done by the Board.

170. Meeting of the Committee to be governed

The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article. Quorum for the Committee meetings shall be two.

171. Circular resolution

[a] A resolution passed by circular without a meeting of the Board or a Committee of the Board appointed under Article 170 shall subject to the provisions of sub-clause (b) hereof and the Act, be as valid and effectual as the resolution duly passed at a meeting of the Directors or of a Committee duly called and held.

[b] A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, if the resolution has been circulated in draft together with necessary papers, if any, to all the Directors or to all the members of the Committee, 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 their usual addresses in India or to such other addresses outside India specified by any such Directors or members of the Committee and has been approved by such of the Directors or members of the Committee as are then in India or by a majority of such of them as are entitled to vote on the resolution.

172. Acts of Board or Committee valid notwithstanding defect in appointment

All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of one or more of such Directors or any person acting as aforesaid or that they or any of them were disqualified or had vacated-office or that the appointment of any of them is deemed to be terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director. Provided nothing contained here shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to terminate.

POWERS OF THE BOARD

173. General powers of Management vested in Directors

The business of the Company shall be managed by the Directors who may exercise all such powers of the Company and do all such acts and things as are not by the Act or any other Act or by the Memorandum or by the Articles of Company required to be exercised by the Company in General Meeting. Subject nevertheless to any regulation of these Articles or the provisions of the Act or any other Act and to such regulation being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in General Meeting but no regulations made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made, provided that the Board of Directors shall not except with the consent of the Company in General Meeting;

[a] sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking;

[b] remit or give time for the payment of any debt due by a Director.

[c] invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition, of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;

[d] borrow moneys, where moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose; or

[e] contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amount the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater, provided that the Company in General Meeting or the Board of Directors shall not contribute any amounts to any political party or for any political purpose to any individual or body :

(i) Provided that in respect of the matter referred to in clauses (d) and (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board

under clause (d) or as the case may be, total amount which may be contributed to charitable or other funds in any financial year under clause (e).

(ii) Provided further that the expression “temporary loans” in clause (d) above shall mean loans repayable on demand or within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.

174. Certain powers to be exercised by the Board only at meetings

[1] Without derogating from the powers vested in the Board of Directors under the Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;

- (a) the power to make calls on shareholders in respect of moneys unpaid on their shares,
- (b) the power to issue debentures,
- (c) the power to borrow moneys otherwise than on debentures,
- (d) the power to invest the funds of the Company; and
- (e) the power to make loans.

Provided that the Board may, by resolution passed at a meeting, delegate to any committee of Directors, may the Managing Director or any other principal officer of the Company, the powers specified in sub-clauses (c), (d) and (e) to the extent specified below.

[2] Every resolution delegating the power referred to in sub-clause (1) (c) shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.

[3] Every resolution delegating the power referred to in sub-clause (1) (d) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.

[4] Every resolution delegating the power referred to in sub-clause (1) (e) shall specify the total amount upto which loans may be made by the delegate, the purpose for which the loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

175. Certain powers of the Board

Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers and without prejudice to the other powers conferred by these Articles but subject to the restrictions contained in the last preceding Articles, it is hereby declared that the Directors shall have the following powers, that is to say, power :

[1] To pay the costs, charges and expenses preliminary and incidental to the formation, promotion, establishment and registration of the Company.

[2] To pay and charge to the Capital Account of the Company any commission or interest, lawfully payable thereout under the provisions of Sections 76 and 208 of the Act.

[3] Subject to Sections 292 and 297 and other applicable provisions of the Act, to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire at or for such price or consideration and generally on such terms and conditions as they may think fit in any such purchase or other acquisition, accept such title as the Director may believe or may be advised to be reasonably satisfactory.

[4] At their discretion and subject to the provisions of the Act, to pay for any property, rights or privileges by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, mortgages or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon and any such bonds, debentures mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.

[5] To secure the fulfilment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.

[6] To accept from any member, so far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.

[7] To appoint any person to accept and hold in trust for the Company property belonging to the Company or in which it is interested or for any other purposes and to execute and to do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.

[8] To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officer or otherwise concerning the affairs of the Company and also to compound and allow time for payment on satisfaction of any debts due and of and of any claim or demands by or against the Company and to refer any difference to arbitration and observe the terms of any awards made therein either according to Indian Law or according to foreign law and either in India or abroad and observe and perform or challenge any award made therein.



[9] To act on behalf of the Company in all matters relating to bankruptcy, insolvency, winding up and liquidation of companies.

[10] To make and give receipts, release and other discharge for moneys payable to the Company and for the claims and demands of the Company.

[11] Subject to the provisions of Sections 291 (1), 295, 370 and 372 and other applicable provisions of the Act and these Articles, to invest and deal with any moneys of the Company not immediately required for the purpose thereof, upon such security (not being the shares of this Company) or without security and in such manner as they may think fit and from time to time to vary or realise such investment. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.

[12] To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgage of the Company's property (present and future) as they think fit and any such mortgage may contain a power of sale and other powers, provisions, covenants and agreements as shall be agreed upon.

[13] To open bank accounts and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipt, acceptances, endorsements, cheques, dividend warrants, release, contracts and documents and to give the necessary authority for such purpose.

[14] To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and do give to any Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as a part of working expenses of the Company.

[15] To provide for the welfare of Directors or Ex-Directors or employees or ex-employees of the Company and the wives, widows and families of the dependents or connections of such persons by building or contributing to the building of houses, dwellings or chawls or by grants of money, pension, gratuities, allowances, bonus or other payments or by creating and from time to time, subscribing or contributing to provident and other associations, institutions and by providing or subscribing or contributing towards places of instructions and recreation, hospitals, dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provisions of Section 293(1) (e) of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company either by reason of locality of operation or the public and general utility or otherwise.

[16] Before recommending any dividend, to set aside, out of the profits of the Company, such sums as they may think proper for depreciation or the depreciation fund or to an insurance fund or as reserve fund or sinking fund or any special or other fund or funds or account or accounts to meet contingencies or to repay redeemable preference shares, debentures or debenture-stock or for special dividends or for equalising dividends for repairing, improving, extending and maintaining any part of the property of the Company and such other purposes (including the purposes referred to in the preceding clause) as the Board may, in their absolute discretion think conducive to the interest of the Company and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested, upon such investments (other than share of this Company) as they may think fit and from time to time to deal with and vary such investments and dispose off and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board in their absolute discretion think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or expended and to divide the General Reserve or Reserve Fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of a Reserve Fund or division of a Reserve fund to another Reserve Fund and/or division of a Reserve Fund and with full power to employ the assets constituting all or any of the above funds including the depreciation fund in the business of the Company or in purchase or repayment of redeemable preference shares, debentures or debenture-stock and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

[17] To appoint and at their discretion remove or suspend such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisers, research workers, laborers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties and to fix their salaries or emoluments or remuneration and to acquire security in such instances and to such amounts as they may think fit and also from time to time provide for the management and transactions of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit.

[18] From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such Local Boards or managers or agencies and to fix their remuneration.

[19] Subject to Section 292 of the Act, from time to time and at any time, to delegate to any persons so appoint any of the powers, authorities and discretions for the time being vested in the Board, other than their powers to make calls or to make loans or borrow moneys and to authorise the members for the time being of such Local

Board or any of them to fill up any vacancies therein and to act on such terms 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 any such delegation.

[20] At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and excluding also, except in their limits authorised by the Board, the power to make loans and borrow moneys) 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 of any Local Board established as aforesaid or in favour of any company or the shareholders, Directors, nominees or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such Power of Attorney may contain such powers for the protection of convenience of persons dealing with such Attorneys as the Board may think fit and may contain powers enabling any such delegated attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.

[21] Subject to Sections, 294, 297, 300 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company, to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and thing in the name and on behalf of the Company as they may consider expedient.

[22] From time to time make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.

[23] To purchase or otherwise acquire any lands, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock company carrying on the business which the Company is authorised to carry on in any part of India.

[24] To purchase, take on lease for any term or terms of years or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situate in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit and in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonable satisfactory.

[25] To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co-jointly, also to insure all or any portion of the goods, produce machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.

[26] To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trademark, patent, invention or technical know-how.

[27] To sell from time to time any articles, materials, machinery, plants, stores and other articles and things belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and bye-products.

[28] From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company or by erecting new or additional building and to expend such sum of money for the purpose aforesaid or any them as may be thought necessary or expedient.

[29] To undertake on behalf of the Company any payment of all rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions and otherwise to acquire the free hold simple of all or any of the hands of the Company for the time being held under lease or for an estate less than free hold estate.

[30] To improve, manage, develop, exchange, lease, sell, resell and repurchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.

[31] To let, sell or otherwise dispose off, subject to the provisions of Section 293 of the Act and of the other Articles. Any property of the Company, either absolutely to conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment of satisfaction for the same in cash or otherwise as it thinks fit.

MINUTES

176. Minutes to be made

[1] The Company shall cause minutes of all proceedings of General Meetings and of all proceedings of every meeting of the Board of Directors or of every committee thereof within thirty days of the conclusion of every such meeting concerned by making entries thereof in books kept for that purpose with their pages consecutively numbered.



[2] Each page of every such books shall be initialled or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed.

(a) in the case of minutes of proceedings of a meeting of Board or of a committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.

(b) in the case of minutes of proceedings of the General Meeting, by the Chairman of the said meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman, within that period by a Director duly authorised by the Board for the purpose.

[3] In no case minutes of proceedings of a meeting shall be attached to any such book as aforesaid by passing or otherwise.

[4] The minutes of each meeting shall contain a fair and correct summary of the proceedings thereof.

[5] All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.

[6] In case of a meeting of the Board of Directors or a committee of the Board the minutes shall contain :

(a) the names of the Directors present at the meeting;

(b) in the case of each resolution passed at meeting the names of the Directors, if any, dissenting from or not concurring in the resolution.

[7] Nothing contained in clauses (1) to (6) hereof shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting :

(a) is or could reasonably be regarded as defamatory of any person;

(b) is irrelevant or immaterial to the proceeding; or

(c) is detrimental to the interest of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the ground specified in this sub-clause.

177. **Minutes to be evidence of the proceedings**

The minutes of proceedings of every General Meeting and of the proceedings of every meeting of the Board or of every committee kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

178. **Presumptions**

Where the minutes of the proceedings of any General Meeting of the Company or of any meeting of the Board or of a Committee of Directors have been kept in accordance with the provisions of Section 193 of the Act, until the contrary is proved, the meeting shall be deemed to have been duly called and held, all proceedings thereat to have been duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid.

THE SECRETARY

179. **Secretary**

The Directors may from time to time appoint and at their discretion, remove any individual (hereinafter called ‘The Secretary’) to perform any functions, which by the Act are to be performed by the Secretary and to execute any other ministerial or administrative duties, which may from time to time be assigned to the Secretary by the Directors. The Directors may also at any time appoint some person (who need not be the Secretary) to keep the registers required to be kept by the Company. The appointment of Secretary shall be made according to the provisions of the Companies (Secretary’s Qualification) Rules, 1975.

COMMON SEAL

180. **The Seal, its custody and use**

[a] The Board of Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof and the Board shall provide for the safe custody of the Seal for the time being, under such regulations as the Board may prescribe.

[b] The Seal shall not be affixed to any instrument except by the authority of the Board of Directors or a Committee of the Board previously given and in the presence of at least two Directors of the Company or at least one Director and Secretary or any other person duly authorised by the Board, both of whom shall sign every instrument to which the seal is affixed. Provided further that the certificates of shares or debentures shall be sealed in the manner and in conformity with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 and their statutory modifications for the time being in force.

DIVIDEND

181. **Division of profits**

[a] Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the

dividend is paid but if and so long as nothing is paid upon any shares in the Company, dividends may be declared and paid according to the amounts of the shares.

[b] No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the shares.

182. The Company in General Meeting may declare dividends

The Company in General Meeting may declare dividends, to be paid to members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors but the Company may declare a smaller dividend in General Meeting.

183. Dividend out of profits only

No dividend shall be payable except out of profits of the Company arrived at in the manner provided for in Section 205 of the Act.

184. Interim Dividend

The Board of Directors may from time to time pay to the members such interim dividends as in their judgment the position of the Company justifies.

185. Debts may be deducted

[a] The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Company may retain dividends

[b] The Board of Directors may retain the dividend payable upon shares in respect of which any person is under the transmission Article entitled to become a member or which any person under that Article is entitled to transfer until such person shall become a member or shall duly transfer the same.

186. Capital paid up in advance at interest not to earn dividend

Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

187. Dividends in proportion to amount paid up

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any shares is issued on terms, providing that it shall rank for dividends as from a particular date, such share shall rank for dividend accordingly.

188. No member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereof

No member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any member, all such sums of money so due from him to the Company.

189. Effect of Transfer of shares

A transfer of shares shall not pass the right to any dividend declared therein before the registration of the transfer.

190. Dividend to joint holders

Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of shares.

191. Dividend how remitted

The dividend payable in cash may be paid by cheque or warrant sent through post direct to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders, to the registered address of that one of the joint holders which is first named on the register of members or to such person and to such address as the holders or the joint holder may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost to the member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

192. Notice of dividend



Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of share in the manner mentioned in the Act.

193. Reserves

The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors be applicable for meeting contingencies or for any other purpose to which the profits of the Company may be properly applied and pending such application may, at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit.

194. Dividend to be paid within forty two days

The Company shall pay the dividend or send the warrant in respect thereof to shareholders entitled to the payment of dividend, within forty-two days from the date of the declaration unless :

- [a] When the dividend could not be paid by reason of the operation of any law.
- [b] Where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied.
- [c] Where there is a dispute regarding the right to receive the dividend.
- [d] Where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or
- [e] Where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

195. Unpaid or unclaimed dividend

Where the company has declare dividend but which has not been paid or claimed within thirty days from the date of declaration, to any shareholder entitled to the payment of the dividend, the company shall within seven days from the date of expiry of the said period of thirty days transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days to a special account opened by the company in that behalf in any scheduled bank, to be called “Unpaid Dividend Account of MIDVALLEY ENTERTAINMENT LIMITED”

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 fund established under subsection (1) of section 205C of the companies Act, 1956.

No unclaimed or unpaid dividend shall be forfeited by the Board.

196. Set off of calls against dividend

Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members, be set off against the calls.

197. Dividend in cash

No dividend shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing duly paid up bonus shares or paying up any amount for the time being unpaid on any shares held by members of the Company.

198. Dividend, right shares and bonus shares to be held in abeyance

Where any instrument of transfer of shares has been delivered to any company for registration and the transfer of such shares has not been registered by the Company, it shall, notwithstanding any this contained in any other provisions of the Act :

- [a] Transfer the dividend in relation to such shares to the special account referred to in Section 205A unless the Company is authorised by the registered holder of such share in writing to pay such dividend to the transferee specified in such instrument of transfer; and
- [b] Keep in abeyance in relation to such shares any offer of right shares under clause (a) of sub-section (1) of Section 81 and any issue of fully paid-up bonus shares in pursuance of sub-section (8) of Section 205.

CAPITALISATION

199. Capitalisation

- [1] The Company in General Meeting may, upon the recommendation of the Board, resolve :
 - (a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company’s reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and
 - (b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

- [2] The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3) either in or towards-
- (i) paying up any amount for the time being unpaid on any shares held by such members respectively;
 - (ii) paying up in full unissued shares of the Company to be allocated and distributed, credited as fully paid up to and amongst members in the proportions aforesaid; or
 - (iii) partly in the way specified in such clause (i) and partly in that specified in sub-clause (ii).
- [3] A share premium account and a capital redemption reserve account may, for the purpose of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.
- [4] The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

200. Fractional certificates

- [1] Whenever such a resolution as aforesaid shall have been passed, the Board shall
- (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid shares and
 - (b) generally do all acts and things required to give effect thereto.
- [2] The Board shall have full power :
- (a) to make such provision, by the issue of fractional cash certificate or by payment in cash or otherwise as it thinks fit, in the case of shares becoming distributable in fractions, also
 - (b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf, by the application thereof of either respective proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing shares.
- [3] Any agreement made under such authority shall be effective and binding on all such members.
- [4] That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any question or difficulties that may arise in regard to any issue including distribution of new equity shares and fractional certificates as they think fit.

ACCOUNTS

201. Books to be kept

The Company shall keep at its registered office proper books of account as would give a true and fair view of the state of affairs of the Company or its transaction with respect to :

- [a] all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place;
- [b] all sales and purchases of goods by the Company;
- [c] the assets and liabilities of the Company; and
- [d] if so required by the Central Government, such particulars relating to utilisation of material or labour or to other items of cost as may be prescribed by that Government.

Provided that all or any of the books of account aforesaid may be kept at such other place in India as the Board of Directors may decide and when the Board of Directors so decides, the Company shall, within seven days of the decision file with the Registrar a notice in writing giving the full address of that other place.

203. Where the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with the provisions of clause (1) if proper books of account relating to the transactions effected at the branch are kept at that office and proper summarised returns, made upto date at intervals of not more than three months, are sent by the branch office to the Company at its registered office or the place referred to in clause 202. The books of account and other books and papers shall be open to inspection by any Director during business hours.

204. Inspection by members

- [a] The Directors shall from time to time determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and works of the Company or any of them shall be open to the inspection of members not being Directors.
- [b] No member (not being a Director) shall have any right of inspecting any account books or documents of the Company except as allowed by law or authorised by the Board.

205. Statements of Accounts to be furnished to General Meeting

The Board of Directors shall from time to time in accordance with Sections 210, 211, 212, 216 and 217 of the Act, cause to be prepared and laid before each Annual General Meeting a Profit and Loss Account for the financial year of the Company and a Balance Sheet made up as at the end of the financial year which shall be a date which shall



not precedes the day of the meeting by more than six months or such extended period as shall have been granted by the Registrar under the provisions of the Act.

206. Right of member to copies of Balance Sheet and Auditors' Report

A copy of every balance sheet (including the profit and loss account, the Auditors' Report and every other document required by law to be annexed or attached as the case may be, to the balance sheet) which is to be laid before a Company in general meeting shall not, less than twenty-one days before the date of the meeting, be sent to every member of the Company, to every trustee for the holders of any debentures issued by the Company, whether such member or trustee is or is not entitled to have notices of general meetings of the Company sent to him and to all persons other than such members or trustees, being persons so entitled. Provided that it will not be required to send a copy of the documents aforesaid :

[i] to a member or holder of debentures, of the Company, who is not entitled to have notices of general meetings of the Company sent to him and of whose address the Company is unaware;

[ii] to more than one of the joint holders of any shares or debentures none of whom is entitled to have such notices sent to him;

[iii] in the case of joint holders of any shares or debentures, some of whom are and some of whom are not entitled to have such notices sent to them, to those who are not so entitled;

[iv] in the case of a Company whose shares are listed on a recognised stock exchange, if the copies of the documents aforesaid are made available for inspection at its registered office during working hours for a period of twenty one days before the date of the meeting and a statement containing the salient features of such documents in the prescribed form or copies of the documents aforesaid, as the Company may deem fit, is sent to every member of the Company and to every trustee for the holders of any debentures issued by the Company not less than twenty one days before the date of the meeting.

AUDIT

207. Accounts to be audited

Once at least in every year the accounts of the Company shall be examined, balance and audited and the correctness of the Profit and Loss Account and Balance Sheet ascertained by one or more Auditor or Auditors.

208. Appointment of Auditors

[1] Auditors shall be appointed and their qualifications, rights and duties regulated in accordance with Sections 224 to 229 and 231 of the Act.

[2] The Company shall at each Annual General Meeting appoint an Auditor or Auditors to hold office from conclusion of that meeting until the conclusion of the next Annual General Meeting and shall within seven days of the appointment give intimation thereof to the Auditor so appointed unless he is a retiring Auditor.

[3] At any Annual General Meeting a Retiring Auditor, by whatsoever authority appointed, shall be re-appointed unless;

(a) he is not qualified for re-appointment;

(b) he has given to the Company notice in writing of his unwillingness to be re-appointed;

(c) a resolution has been passed at that meeting appointing somebody instead of him or providing expressly that he shall not be re-appointed; or

(d) where notice has been given of an intended resolution to appoint some person or persons in the place of Retiring Auditor and by reason of the death, incapacity or disqualification of that person or of all those persons as the case may be, the resolution cannot be proceeded with.

[4] Where at Annual General Meeting, no Auditors are appointed or re-appointed the Central Government may appoint a person to fill the vacancy.

[5] The Company shall within seven days of the Central Government's power under sub-clause (4) becoming exercisable give notice of that fact to that Government.

[6] The Directors may fill any casual vacancy in the office of Auditors, but while any such vacancy continues, the surviving or continuing Auditor or Auditors (if any) may act but where such vacancy is caused by the resignation of an Auditor, the vacancy shall only be filled by the Company in General Meeting.

[7] A person, other than a Retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless a special notice of a resolution for appointment of that person to the office of Auditor has been given by a member to the Company, not less than fourteen days before the meeting in accordance with Section 190 of the Act and the Company shall send a copy of any such notice to Retiring Auditor and shall give notice thereof to the members in accordance with Section 190 of the Act and all the other provisions of Section 225 of the Act shall apply in the matter. The provisions of this sub-clause shall also apply to a resolution that Retiring Auditor shall not be re-appointed.

209. **Account when audited and approved to be conclusive except as to errors discovered within 3 months**
Every account when audited and approved by a General Meeting shall be conclusive except as regards any errors discovered therein within three months next after the approval thereof. Whenever any such error is discovered within that period, the account shall be corrected and thenceforth shall be conclusive.

DOCUMENTS AND NOTICES

210. **To whom documents must be served or given**
Document or notice of every meeting shall be served or given on or to (a) every member, (b) every person entitled to a share in consequence of the death or insolvency of a member and (c) the Auditor or Auditors for the time being of the Company. PROVIDED that when the notice of the meeting is given by advertising the same in newspaper circulating in the neighbourhood of the office of the Company under Article 99, a statement of material facts referred to in Article 100 need not be annexed to the notice, as is required by that Article, but it shall merely be mentioned in the advertisement that the statement has been forwarded to the members of the Company.
211. **Members bound by documents or notices served on or given to previous holder**
Every person, who by operation of law, transfer or other means whatsoever, shall become entitled to any share be bounded by every document or notice in respect of such share, which prior to his name and address being entered on the Register of Members, shall have been duly served on or given to the person from whom he derived his title to such share.
212. **Service of documents**
A document may be served on the Company or an officer thereof by sending it to the Company or officer at the Registered Office of the Company by post under a certificate of posting or by registered post or by leaving it at its Registered Office.
213. **Authentication of documents and proceedings**
Save as otherwise expressly provided in the Act, a document or proceedings requiring authentication by the Company may be signed by a Director, the Managing Director or the Secretary or other authorised officer of the Company and need not be under the Common Seal of the Company.

REGISTER AND DOCUMENTS

214. **Registers and documents to be maintained by the Company**
The Company shall keep and maintain Registers, Books and Documents required by the Act or these Articles, including the following :
- [a] Register of Investments made by the Company but not held in its own name as required by Section 49(7) of the Act.
 - [b] Register of Mortgages and Charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act.
 - [c] Register and Index of Members and Debenture holder as required by Sections 150, 151 and 152 of the Act.
 - [d] Foreign Register, if so thought fit, as required by Section 157 of the Act.
 - [e] Register of Contracts with Companies and Firms in which Directors are interested as required by Section 301 of the Act.
 - [f] Register of Directors and Secretary as required by Section 303 of the Act.
 - [g] Register as to holdings by Directors of shares and/or debentures in the Company as required by Section 307 of the Act.
 - [h] Register of Investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the Act.
 - [i] Copies of Annual Returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act.
 - [j] Register of loans, guarantees or securities given to other companies under the same management as required by Section 370 of the Act.
 - [k] Register of renewed and duplicate certificates and required under Rule 7(2) of the Companies Issue of Share Certificates Rules, 1960.
215. **Inspection of Registers**
The Registers mentioned in clauses (f) and (i) of the foregoing Article and the minutes of all proceedings of general meetings shall be open to inspection and extracts may be taken therefrom and copies thereof may be required by any member of the Company in the same manner, to the same extent and on payment of the same fees as in case of the Register of Members of the Company provided for in clause (c) thereof Copies of entries in the Registers mentioned in the foregoing Article shall be furnished to the persons entitled to the same on such days and during



such business hours as may be consistent with the provisions of the Act in that behalf as determined by the Company in General Meeting.

WINDING UP

216. **Distribution of Assets**

If the Company shall be wound up and the assets available for distributing 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 the losses shall be borne by the members in the proportion to the capital paid up or which ought to have been paid up at the commencement of winding up, on the shares held by them respectively and if in the winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

217. **Distribution in specie or kind**

[a] If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may, with the sanction of a special resolution, divide amongst the contributories in specie or kind, any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories or any of them as the Liquidator, with the like sanction, shall think fit.

[b] If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributories (except were unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories, shall be determined on any contributory who would be prejudicial thereby shall have a right to dissent and ancillary rights as if such determination were a special resolution passed pursuant to Section 494 of the Act.

[c] In case any shares to be divided as aforesaid involve a liability to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing direct the liquidator to sell his proportion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

218. **Right of shareholders in case of sale**

A special resolution sanctioning a sale to any other company duly passed pursuant to Section 494 of the Act may, subject to the provisions of the act, in like manner as aforesaid determine that any shares or other consideration receivable by the Liquidator be distributed against the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential right conferred by the said sanction.

219. **Directors and others right to indemnity**

Subject to the provisions of Section 201 of the Act, every Director or officer or servant of the Company or any person (whether an officer of the Company or not) employed by the Company as auditor, shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company, to pay all costs, charges, losses and damages which any such person may incur or become liable to by reason of any contract entered into or any act, deed, matter or thing done, concurred in or omitted to be done by him in any way in or about the execution or discharge of his duties or supposed duties (except such, if any, as he shall incur or sustain through or by his own wrongful act, neglect or default) including expenses and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, Officer or Auditor or other Officer of the Company in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

220. **Director, Officer not responsible for acts of others**

Subject to the provisions of Section 201 of the Act, no Director, Auditor or other Officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or Officer or for joining in any receipt or other act for confirmity 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 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 any loss occasioned by any error of judgment, omission, default or oversight on his part or for any other loss, damage or misfortune whatever shall happen in relation to execution of the duties of his office or in relation thereto unless the same shall happens through his own dishonesty.

SECURITY CLAUSE

221. Secrecy Clause

Every Director, Manager, Auditor, Treasurer, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in the business of the Company shall, if so required by the Director, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matter thereto and shall, by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required to do so by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of provisions in these presents contained.

222. No member to enter the premises of the Company without permission

No member or other person (not being a Director) shall be entitled to visit or inspect any property or premises of the Company without the permission of the Board of Directors or Managing Director or to inquire discovery of or any information respecting any details of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.



SECTION X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary the business carried by the 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 the Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company between 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

A) Material Contracts:

1. Mandate Letter dated December 15, 2006 executed with Religare Securities Limited appointing them as BRLM.
2. Memorandum of Understanding entered into between the Company and Religare Securities Limited dated March 30, 2007 to act as Book Running Lead Manager to the Issue.
3. Memorandum of Understanding dated March 14, 2007 entered into between the company and M/s. Cameo Corporate Services Limited to act as Registrar to the Issue.
4. Escrow Agreement dated [●] among the Company, the BRLM, Escrow Collection Bank(s) and the Registrar to the Issue.
5. Syndicate Agreement dated [●] among the Company, the BRLM and the Syndicate Members.
6. Underwriting Agreement dated [●] among the Company, the BRLM and the Syndicate Members.
7. Copy of tripartite agreement among NSDL, the Company and the Registrar, Cameo Corporate Services Limited dated June 12, 2007;
8. Copy of tripartite agreement among CDSL, the Company and the Registrar, Cameo Corporate Services Limited dated September 9, 2006.
9. Share Acquisition Agreement between for all acquisition and subsidiary sale agreement.

B) Material Documents

1. Certified true Copies of the Memorandum and Articles of Association of the MidValley Entertainment Limited as amended from time to time including Certificate of Incorporation.
2. Copy of the resolution passed at the meeting of the Board of Directors held on July 2, 2006 and resolution passed under section 81(1A), 293(1)(d) of the Companies Act, 1956 at the Extra Ordinary General Meeting of the Company held on August 9, 2006 authorizing the issue.
3. Resolution passed by the Board of Directors held on December 27, 2006 for appointment and affixing the remuneration of Datuk. K. Ketheeswaran, Executive Chairman and Mr. R. Chandrasegaran, CEO and Director of the Company.
4. Report of the Auditor M/s. Venkatesh & Co., Chartered Accountants, dated June 4, 2007 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
5. Letter dated June 4, 2007 from the Statutory Auditors of the Company M/s. Venkatesh & Co., Chartered Accountants confirming Tax Benefits as, mentioned in this Draft Red Herring Prospectus.
6. Certificate from M/s. Venkatesh & Co., Chartered Accountants dated June 4, 2006 regarding the sources and deployment of funds and amount committed.
7. Copies of Annual reports of the Company for the Year ended 31st March 2002, 2003, 2004, 2005 and April 30, 2006.
8. Copies of Annual reports of the Promoter Companies for the past 3 respective financial years.
9. Consents of the Auditors being M/s. Venkatesh & Co., Chartered Accountants, for inclusion of the report on accounts and statement of Tax Benefits in the form and context in which they appear in this Draft Red Herring Prospectus.
10. Copy of Letter dated November 11, 2006 for the appointment of Legal Advisor to the Issue.
11. Copy of due diligence clearance letter dated June 28, 2007 from M/s. Deltaa Legal Associates as Legal Advisor to the Issue for vetting and approval of Draft Red Herring Prospectus.
12. Special Power of Attorney executed by the Directors of our Company for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.
13. Copy of the Board Resolutions dated January 22, 2007 for appointment of the Mr. S. Narayanswamy as company secretary w.e.f. March 1, 2007.
14. Copy of the Board Resolutions dated March 14, 2007 for appointment of Mr. S. Narayanswamy as compliance officer.
15. Consents of BRLMs, Syndicate Members, Registrar to the Issue, Banker to the Issue, Bankers to the Company, Legal Advisors to the Issue, International Legal Counsel to the Issue; Directors, CFO and Company Secretary, Compliance Officer, Monitoring Agency, IPO Grading Agency and to include their names in the Draft Red Herring Prospectus to act in their respective capacities.
16. Resolution of the meeting of the Board of Directors held on March 14, 2007 for the formation of the company's audit committee, Investor Grievances Committee, Remuneration Committee and IPO committee
17. Copies of Sanction Letter mentioned under the heading "Financial Indebtness".
18. Initial listing applications dated [●] and [●] filed with BSE and NSE respectively.
19. In-principle listing approvals dated [●] and [●] from BSE and NSE respectively.

20. Due Diligence Certificate dated July 9, 2007 to SEBI from Religare Securities Limited.
21. SEBI observation letter No. [●] dated [●] and reply of the Lead Manager to the same dated [●].
22. Copies of Quotations received for Machineries for which order has not been placed as mentioned in Draft Red Herring Prospectus.
23. Application made to State Bank of India for No Objection certificates from the bank that has sanctioned Term Loan.

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 the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.



DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all the statements in the Draft Red Herring Prospectus are true and correct.

SIGNED BY

For MidValley Entertainment Limited

Datuk K. Ketheeswaran

Executive Chairman

Mr. Chandrasegaran

CEO and Director

Dato Shamsir Bin Omar*

Non-Executive and Non-Independent Director

Mr. Sudhir Kumar Jena

Non-Executive and Independent Director

Mr. Narayanaswami Ramji

Non-Executive and Independent Director

Mr. R. Nagarajan

Non-Executive and Independent Director

Mr. S. Narayanaswamy

CFO, Company Secretary and Compliance Officer

Place: Chennai

Date: July 7, 2007

*Through his constituted power of attorney Datuk K. Ketheeswaran

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